

New

INDIVIDUALIST

Review

THE RHODESIAN CALUMNY

W. H. HUTT

TWO DECADES OF ECONOMIC
PLANNING IN YUGOSLAVIA

LJUBO SIRC

MARXISM AND ALIENATION

DAVID LEVY

THE ECONOMIC AND SOCIAL
IMPACT OF FREE TUITION

ARMEN A. ALCHIAN

A JOURNAL OF CLASSICAL LIBERAL THOUGHT

Winter 1968

\$1.00

Vol. 5, No. 1

BOUND VOLUMES OF NEW INDIVIDUALIST REVIEW

The Editors of **New Individualist Review** are pleased to announce in conjunction with publication of the first number in our fifth volume the issue of a small number of complete, bound sets of the journal which will be available for distribution in June of this year. These rare and valuable sets will include the three out-of-print issues of **New Individualist Review** which are not available to the general public, and unavailable in most libraries; issues, we might add, containing articles by F.A. Hayek, Milton Friedman, Murray N. Rothbard, as well as all of the original editors of the journal.

This announcement is being made in the endeavor to supplement our subscription revenues with contributions from readers and supporters who may have been unaware of our need and dependence upon supplemental contributions for continued publication. The number of bound sets of **New Individualist Review** which will be available is strictly limited by the availability of the out-of-print numbers; it may be impossible to repeat this offer. If you would like to obtain one of these sets and assist **N.I.R.** in its publication, please send your check in the amount of \$75.00 or more to **New Individualist Review**, Ida Noyes Hall, University of Chicago, Illinois 60637.

NIR Back Issues

Certain back issues of **NEW INDIVIDUALIST REVIEW** can be purchased for a limited time at the special rate of \$1.00 per copy. Among the issues presently available are those containing:

"Sin and the Criminal Law," by Robert M. Hurt (II/1)

"National Review: Criticism and Reply," by Ronald Hamowy
and William F. Buckley, Jr. (I/3)

"The Fusionists on Liberalism and Tradition," by Ralph Raico (III/3)

"Civil Liberties in the Welfare State," by Robert M. Schuchman (II/3)

"The Uneasy Case for State Education," by E.G. West (IV/2)

"Why Not A Volunteer Army?" by Milton Friedman (IV/4)

A complete set of the available back copies (thirteen issues) may be ordered for \$12.00, postpaid. The three out-of-print numbers can be provided by xerographic reproduction at a cost of \$4.00 each. Address inquiries to:

NEW INDIVIDUALIST REVIEW

Ida Noyes Hall, University of Chicago
Chicago, Illinois 60637

NEW INDIVIDUALIST REVIEW

A JOURNAL OF CLASSICAL LIBERAL THOUGHT

WINTER 1968

VOLUME 5, NUMBER 1

The Rhodesian Calumny

3

W. H. HUTT

Community, Leadership, and Progress

13

SVETOZAR PEJOVICH

The Political Thought of Michael Oakeshott

17

JAY A. SIGLER

893

Two Decades of Economic Planning in Yugoslavia

23

LJUBO SIRC

Marxism and Alienation

34

DAVID LEVY

The Economic and Social Impact of Free Tuition

42

ARMEN A. ALCHIAN

REVIEWS:

Book Reviews

53

New Books and Articles

57

NEW INDIVIDUALIST REVIEW is published quarterly by *New Individualist Review, Inc.*, at Ida Noyes Hall, University of Chicago, Chicago, Illinois 60637. Telephone 312/363-8778.

Opinions expressed in signed articles do not necessarily represent the views of the editors. Editorial, advertising, and subscription correspondence and manuscripts should be sent to NEW INDIVIDUALIST REVIEW, Ida Noyes Hall, University of Chicago, Chicago, Illinois 60637. All manuscripts become the property of NEW INDIVIDUALIST REVIEW.

Subscription rates: \$3.00 per year (students \$1.50). Two years at \$5.75 (students \$2.75).

Copyright 1968 by *New Individualist Review, Inc.*, Chicago, Illinois. All rights reserved. Reproduction of less than 200 words may be made without specific permission of the publisher, provided NEW INDIVIDUALIST REVIEW is duly credited and two copies of the publication in which such material appears are forwarded to NEW INDIVIDUALIST REVIEW.

NEW

INDIVIDUALIST

REVIEW

EDITORIAL STAFF

Editor-in-Chief • J. M. Cobb
Editor • James M. S. Powell
Associate Editors • David Levy
Ernest L. Marraccini • Robert Schuettinger
Editorial Assistant • J. Huston McCulloch
Contributing Editors • Robert L. Cunningham
Bruce Goldberg • Ronald Hamowy
Sam Peltzman • Ralph Raico

EDITORIAL ADVISORS

Yale Brozen • Milton Friedman • George J. Stigler
University of Chicago
F. A. Hayek • Benjamin A. Rogge
University of Freiburg *Wabash College*

894

Complaints of the loss of individuality and the lessening of respect for the person and his rights have become a commonplace of our time; They nonetheless point to a cause for genuine concern. NEW INDIVIDUALIST REVIEW, an independent journal associated with no organization or political party, believes that in the realm of politics and economics the system most effectively guaranteeing proper respect for individuality is that which, historically, has gone by the name of classical liberalism; the elements of this system are private property, civil liberties, the rule of law, and, in general, the strictest limits placed on the power of government. It is the purpose of the Review to stimulate and encourage explorations of important problems from a viewpoint characterized by thoughtful concern with individual liberty.

The Rhodesian Calumny

W. H. HUTT

895

I HAVE LIVED FOR thirty-seven years in race-troubled South Africa and during that time I have been observing, thinking about, and occasionally writing about, the superficially intractable problems of color prejudices and racial domination. I have seldom felt that the politicians were leading wisely on the always delicate and sometimes explosive issues of race antagonisms, either in my own country or in adjacent countries. Yet during the 1950's and early 1960's, there was one area in which there were hopeful signs of emerging enlightenment. I refer to the now disintegrated Federation of Rhodesia and Nyasaland.

With rare statesmanship, commendable realism, and courage, the Welensky regime had brought about in the Federation an all too brief era of peaceful and prosperous development under the rule of law, independent courts, integrity of administration, and as rapid an orderly modernization as the world had ever witnessed. Nowhere else had Blacks and Whites got on with one another better under the stresses of radical sociological change and economic progress. Order was maintained by a tiny *unarmed* police force, more than half of which was African. Time-rooted color prejudices were being slowly dissolved whilst, for Southern Rhodesia, the 1961 Constitu-

tion had not only laid down a non-racial voting qualification, but, through a Declaration of Rights, provided for the unconstitutionality of legislative discriminations on the grounds of race or color.

Unfortunately the British government, placing the ambitions of a handful of power-hungry African politicians above the interests of the inarticulate African masses, decided to break up this great experiment. Nevertheless, in the present Rhodesia, the 1961 constitution (with minor amendments) has survived: and under it, *the most promising deliberate attempt the world has ever seen at creating a wholly democratic, multi-racial society has continued.*

But persistent pressures from the new totalitarian and nationalistic African governments, which were understandably hostile to a genuine democracy in their continent, have demanded that it be crushed; and the belief of the White Rhodesians that Britain and the United States were siding with the totalitarians drove Ian Smith's Government (legally elected under the 1961 Constitution) into a Declaration of Independence in 1965.

The present position is that Britain, the United States, and the United Nations reject the system under which the right to the franchise in Rhodesia is independent of race or color and based on very modest educational and/or property qualifications. They want a system which confers the right to vote unconditionally upon four million tribal Africans. That is what the quarrel is about. Yet Rhodesia was offering, in the middle of Africa, a continuous object lesson in

W. H. Hutt has been Professor of Commerce and Dean of the Faculty of Commerce at the University of Cape Town, South Africa; currently Visiting Professor of Economics at Wabash College. His book, *Economics of the Colour Bar*, remains one of the principal works on the origins and impact of racial legislation in South Africa.

Page Three

growing racial and color harmony, under *classical democracy*.¹

Ian Smith's regime, whilst solemnly pledged to "unimpeded progress to majority rule"; and prepared to entrench this objective by any bona fide technical means the world might demand ("by solemn treaty if necessary"); and prepared further to lighten materially the franchise requirements (under adequate safeguards), is nevertheless doggedly resolved to preserve the Western heritage for all races to share, and not to permit its destruction (which nearly all White Rhodesians believe would be the outcome under "one man, one vote"). The only limitations on the franchise are, in fact, of the kind that J. S. Mill advocated in his classic *Representative Government* (1861).

I allege that Americans have been grievously misled about the facts. The frankness of Ian Smith and his colleagues in expressing their fears of the *unconditional* enfranchisement of Africans, has been subtly used, by unscrupulous reporters, to create an impression that the Rhodesian government is keeping the Africans in political subjection. That is false.

ADMITTEDLY, THERE *are* White supremacists in Rhodesia. They support the present Government *faute de mieux*, because it is at least staving off African uni-racial totalitarian rule. Today they are taking advantage of the backlash caused by anger at the injustice of sanctions and pressing for an *apartheid* policy. If the supremacists gain power and put back the clock, will it not be the fault of Britain and the United States?

The present situation may easily confuse the superficial observer. Originally the threat, and later the actuality of sanctions, together with unprecedented internal efforts (mainly by non-Rhodesians) at subversion, have forced the

Rhodesian government into defensive action. It is easy to represent emergency steps as normal policy. The white leaders of Rhodesia are not Nazis. Some have a proud war record.

The extent to which, through press, radio, television, and pulpit, the American public has been misinformed on this issue is fantastic. I can illustrate by a few out of *hundreds* of examples. In September 1966, the influential *Newsweek* (relying upon a reference by Ian Smith to Dr. Verwoerd's personal kindness: words of sympathy following the latter's assassination) remarked that "the Rhodesian leader made it plain that his support for white supremacy was unshaken." Rep. D. M. Fraser told Congress shortly before that the Rhodesian government "favors rule by a racial minority through policies aimed at excluding virtually all Africans." Various politicians (mostly ill-informed, but still irresponsible) have referred to "racial and political injustice" in Rhodesia (these are President Johnson's words), or expressed similar blanket condemnations. Ambassador Goldberg told the world through the United Nations that Rhodesia involved "the seizure of power by a minority bent on subjugating a vast majority on racial grounds." And a host of other seemingly well-informed and trustworthy authorities have succeeded in slandering the rulers of Rhodesia by deepening the impression that Africans are being denied democratic or human rights by a White minority.

Actually, Rhodesia offers free political institutions, the rule of law, a judiciary with an independence of politics which most Americans would find difficult to believe, a free enterprise economy, and few surviving *state-imposed* (I stress this qualification) barriers to equality of economic opportunity. It *was* also a happy and internally peaceful area until recently, order having been maintained since the beginning of the century by a tiny force of *unarmed* police. That was, of course, before the return of saboteurs trained in China, Algeria, and Tanzania. Otherwise, since World War II, persons of all races had obviously been learning to live with one another under increasing amity.

¹ It is as essential to distinguish between "classical democracy" (i.e., the form of representative government advocated by the "classical liberals") and what is commonly called "democracy" today, as it is to distinguish between "classical liberalism" itself and what is today commonly called "liberalism."

THE RHODESIAN CALUMNY

The greater proportion of the 220,000 Whites (which includes many whose enterprise and industry had created the civilization established in Rhodesia) had undergone an agonizing readjustment of deep-rooted racial attitudes. They had come to accept not only the inevitability of equality of political opportunity, but also the wisdom of a policy aimed at deliberately hastening progress toward the day when the majority of the qualified electorate would be Africans. Moreover, prior to the imposition of sanctions, Rhodesia had been prosperous. Its GNP had almost doubled during one decade, providing more than proportional benefits to the African section of the population and attracting an enormous number of foreign Africans to share in temporary employment opportunities.

The main source of discord was a small group of African leaders, imbued with a faith in their ability to serve their people, but often spurred on chiefly by personal ambition; and sometimes understandably bitter in the light of humiliations and indignities which they may have had to endure. Among this group, the politicians' ubiquitous hunger for power was whetted by the apparent prospect of *early* African supremacy. They had just witnessed a succession of capitulations which had conferred sudden status, privilege, and wealth on similarly placed African leaders to the north. They were aware of the dominating population of mainly tribal Rhodesians whose votes could obviously be won by appeals to perfectly natural envy as well as to color resentments, nationalist emotions, and class antagonisms. All this seemed to suggest that, with determination and the right strategy, office and honor were within their grasp. They found they were *thwarted by the entrenchment of a non-racial political equality, a reasonably achievable franchise available on equal terms for every literate and responsible Rhodesian, whatever his color.*

WHY SHOULD GOVERNMENTS which claim, at least, to be striving for the eradication of color prejudices and

racial injustices wish to crush this genuinely democratic society? One reason is, I believe, that American and British politicians tend to think in terms of the aspirations of African *politicians*. They are not directly concerned with the welfare of the African masses, who, unlike their leaders, are not possible future voters at the United Nations; and sometimes the Western politicians seem to think that it is expedient to retain the friendship of "moderate" leaders in African territories; whilst even the moderate leaders find it desirable, for popularity reasons, to appease the racial emotions and resentments of the black peoples. If they did not, they could not survive, it is felt, against more extreme rivals.

A more difficult question is, why should so many who obviously do sincerely wish to eliminate surviving inequalities of opportunity and respect between Black and White in the world, also wish to destroy the most propitious experiment in non-discriminatory representative government that mankind has known? I can conceive of only one answer: because of culpable news-slanting by reporters, newspaper correspondents, editors, and radio and television staff.

What I cannot explain satisfactorily to myself is why those in control of propaganda resources should have a *vested interest* in misinforming the world on so vital an issue. Yet the blatant fact remains that the number of people outside Rhodesia who know the facts about that country is almost infinitesimal, and the occasional attempts of these few to correct misrepresentations have had little success. For instance, during the year 1966, I can recall seeing only two really unslanted references in New York newspapers to the policy of the Smith Government. One was in a very well informed letter from John Davenport (of *Fortune*), and the other a brilliant letter, quoted from the English press, of Elspeth Huxley's.

Now there are some aspects of the racial situation in Rhodesia which critics abroad might deplore, whilst giving full recognition to the democratic, non-racial objectives of the Smith Government. I shall shortly refer to policy aspects

897

Page Five

NEW INDIVIDUALIST REVIEW

which I myself regard as wrong or ill-conceived; but it has been a tactic of those who are hostile to Rhodesia's aim of preserving Western civilization for gradual sharing with the Africans, to refer to these aspects and, through references to her friendship with the Republic of South Africa, to imply that Rhodesia is following an *apartheid* policy.

It is true, of course, that South Africa has tactfully assisted Rhodesia's resistance to sanctions, yet this is not because there is any basic similarity in objectives. It is due to fear that the overthrow of Smith's regime would lead to the early establishment of a hostile black nationalist dictatorship on the northern boundary of South Africa. The Rhodesians are genuinely grateful for this support in their hour of need, and official references to the Republic are understandably amicable; but the proclaimed racial policies of the two countries, whatever their merits or demerits, are at present diametrically *different*.

Let us consider the allegations of racial discrimination in parliamentary representation, with general political bondage for the Africans. In truth, every Rhodesian at the age of twenty-one upwards has the right to qualify for the vote (or to stand for election) on the same terms, irrespective of his race, color, or ancestry. Moreover, the franchise qualifications are surprisingly moderate when one considers the need, in so complex a racial situation, for insuring that voters shall be able to understand something about the issues on which they will be expected to exercise ballot-expressed judgments.

The qualification is based on education or property, or a combination thereof. Thus, on the so-called "A" roll (providing for 50 of the 65 seats in the legislature) completion of primary education *plus* either an annual income of £528 (say \$1300) *or* property of £1100 is one of the conditions which qualifies a voter.² But *no* property or income stand-

ard is applied if four years of secondary education have been completed (a provision intended, I understand, to bring as many moderately qualified young Africans, as rapidly as possible, onto the "A" roll). And there are other, alternative conditions for qualification. For the "B" roll (providing for 15 seats only) the requirements are much more lenient. For persons over thirty years of age, income of only £132 *plus* completion of primary education will qualify, as will completion of two years of secondary education with no age, property, or income requirement. Again, there are other means of qualifying. The "B" roll qualifications were intended to insure immediate representation by African members in Parliament.³

FOLLOWING THE *TIGER* talks, the Smith regime had been willing to accept even easier franchise qualifications. The Rhodesian government was, indeed, prepared to lean over backward in its efforts to refute the slander that its object was to perpetuate the subordination and inferiority of the Africans. Now I submit that, unless by some stratagem Africans are prevented from exercising their rights, even under the present provisions, there is nothing to justify the sanctions through which Britain and the United States have been trying to bring the regime to an end. Let it be clearly understood that there is no parallel in Rhodesia to the subterfuges which have, in the past, denied *constitutional* rights to Negroes in some parts of the United States. Moreover, there are no grounds whatsoever for the suggestion that educational opportunities are being deliberately withheld from Africans, or not reasonably available. (I shall return to this point.) Nor can the Whites be shown to be using the dominating parliamentary majority power which the franchise conditions at present accord them in order to legislate against equality of opportunity in the economic sphere. Even if they did, the Declaration of Rights, with the Consti-

² It should be noticed that this qualifying income is less than one quarter of the family income regarded by the U. S. Bureau of Labor Statistics as the poverty or "deprivation" level.

³ There are 13 African representatives in Parliament.

THE RHODESIAN CALUMNY

tutional Council's power to declare such measures unconstitutional, would stand in their path.

If Rhodesia's critics had merely demanded even more ironclad constitutional entrenchment to insure that African rights should not be subsequently revoked, there is not the slightest doubt that the Smith Government would have agreed to this, although not in a form which would have given a veto right to the "B" roll voters. The intransigence of the White Rhodesians rests in their determination not to let the future of their land—a progressive country which their courage, industry, and integrity have built up—be determined by a "one man, one vote" referendum in which almost wholly tribal and illiterate Africans were allowed to vote.

The political protection of these presently voteless Africans is secured through the "Declaration of Rights," which provides for what are termed "fundamental rights and freedoms." Equality of treatment in all legislation is guaranteed to every Rhodesian "... whatever his race, tribe, place of origin, political opinions, color or creed, subject to respect for the rights and freedoms of others." To pronounce on the constitutionality of proposed legislation (in the light of this "Declaration") there is a Constitutional Council, of *predominantly non-white membership*. Its members are nominated and chosen by an electoral college consisting of the existing and any former chairman of the Council, members and former members of the Council, judges and retired judges, and the President of the Council of Chiefs.

THROUGH THE CHANCE of history and tradition, few of the four million Africans were able to play more than a passive role in the development of their country. Hardly any were capable of being more than unskilled collaborators with the hard-earned savings, enterprise, energy, and skill of the White settlers. This was due, as every *intelligent* Rhodesian knows, not to any innate inferiority of the Black people, but to history and the absence of earlier

opportunity. Insofar as there remains any *deliberate* perpetuation of practices or procedures which deny opportunities to Africans, there is something which any "classical liberal" like myself would never hesitate to censure; and any *unintended* perpetuation of racial economic inequalities can equally be subjected to exposure and criticism. Yet White property owners, including landowners, have never been responsible for racial discrimination—at least *not in that role*.

But are the political rights conferred under the sort of franchise conditions I have briefly indicated a mere sham, as is often alleged? Let us consider the educational facilities available for Africans as a path to enfranchisement. Rep. Donald M. Fraser told Congress last year that "the Smith regime refuses to provide education above the primary school level for a meaningful number of Africans," and Mr. Joseph Palmer, Assistant Secretary of State for African Affairs, recently told the California Institute of Technology that "relatively few Rhodesian Africans are permitted the facilities to complete the highest secondary grade or go to college." These assertions are false.

What are the facts? To get the matter into perspective we must remember that, although the Whites make up only one-twentieth of the population, they provide 98 per cent of the *direct* taxes collected. In spite of the fact that 220,000 Whites alone must for some time finance educational development for 4,000,000 Africans, *the most impressive achievement of the regime and the most impressive planned achievement is precisely in respect to secondary education*. A top priority in the reforms introduced by the Field Government in 1962 was a rapid speeding up in the provision of secondary schools. In the period since then, 45 new secondary schools have been established. The present program aims at offering secondary school education to 50 per cent of those Africans who complete primary school; and for the rest a system of correspondence courses is to be provided.

If the opportunities available in Rhodesia are seized, progress toward the

NEW INDIVIDUALIST REVIEW

time when responsible Africans will hold the balance of power should not be protracted. A team of three Americans, headed by Rep. John Ashbrook, has recently reported, after a study of the situation at first hand, that there have been "spectacular advances" in education and that "the demand for . . . places in secondary schools has yet to equal the supply." Far from being *excluded* from opportunities, Africans are not yet voluntarily taking advantage of the facilities available. In vocational training the same apathy on their part is slowing down the progress hoped for.

Over a decade, enrollment of Africans in *primary* schools has doubled, enrollment in *secondary* schools has increased six-fold, and enrollment as a whole has tripled. Ashbrook's team points out, quite pertinently, that in Britain "only 34 per cent continue to go to school after age 15." In Rhodesia the *target* for Africans alone is 50 per cent. Unless sanctions succeed in sabotaging the most rapid advance in educational facilities which any African area has ever experienced, in three years time all Rhodesian children of all races will have an opportunity of achieving a complete primary education. Expenditure on education, which is the biggest item in Rhodesia's budget, has trebled over the last seven years and has been accelerating. Moreover, as far as university education is concerned, a deliberate policy of discrimination in favor of Africans in respect to scholarships and loans has been followed. In the words of the Ashbrook Committee, the Rhodesians have "struggled valiantly to pull the African into the twentieth century."

These facts, which can easily be verified, ought to have been known to Rep. Fraser and to Mr. Palmer. If they did not trouble to check their facts but based their allegations upon reports of newspaper correspondents, articles in popular periodicals, and the like, their speeches were recklessly irresponsible. But should the facts as I have stated them be doubted, let one of the large foundations finance a visit to Rhodesia by a small body of disinterested members of the academic profession—*chosen for their known independence from affil-*

iation or association with any political party—and let them report, from first hand contact, on what is happening. The overall aim of the program, planned in 1962, may well be over-ambitious, almost naive in its optimism and idealism; but what chance has it when the world tries to destroy the regime which boldly conceived of it?

AT TIMES, I GET the feeling that it is hopeless to try to expose the repeated misrepresentations and false stereotypes that have been created, particularly in the minds of American Negroes. I can illustrate by a typical distortion. On one occasion a reporter told the world that Ian Smith had declared "There will be no black rule in my time." This alleged assertion made headlines everywhere and it is constantly repeated; but the repeated denials seldom get printed, let alone make headlines. What Smith had actually said, in a CBS telecast, and I quote from Anthony Harrigan's *One Against The Mob*, was: "If we had a black nationalist government—a black extremist government in my lifetime, then I believe we would have failed in our policy . . . [which] has always been no discrimination between black or white."

A report published in the American press on September 18, 1967 said that Prime Minister Wilson was sending aides to Rhodesia to seek "acceptance of eventual African majority rule." How tendentious and subtly mendacious it all is! There *is* majority rule under non-discriminatory franchise qualifications, and the whole plan, guaranteed since 1961, contemplates an eventual African majority of votes on both the A and B rolls as soon as the Africans have used the rapidly growing facilities to achieve education or to qualify under the other responsibility tests. Moreover, the hackneyed insistence that "all sections of Rhodesian opinion, black and white, should be consulted" is equally tendentious; for already, under the present constitution, all sections who can be reasonably assumed to be capable of envisaging the issues have equal rights under the franchise provisions. But if "all sec-

THE RHODESIAN CALUMNY

tions" is a euphemism for Nkomo and the PCC, and Sithole and ZANU, anything short of immediate black supremacy seems certain to be rejected.

How much wiser and commendable is Ian Smith's attitude towards the whole franchise problem! He has said: "We hope the time will come when we shall have Black and White in Parliament and nobody will start counting heads to decide whether there are more Blacks than Whites."

Do those Americans or British who applaud the "tough" line taken against Rhodesia *know* that this is the spirit with which the government of that country has faced its appallingly difficult task? How many who feel indignation at the supposed "oppression" of the Africans in Rhodesia know that, in advising his countrymen about how to act in face of brutal attacks, perfidious misrepresentations, and vindictive sanctions, he urged them all to exercise "courtesy, kindness and understanding towards all peoples, especially those of other racial groups . . . to maintain the highest standards in everything that you do: in your work, in your play, in your thoughts, especially when thinking of other people; in your general demeanour. . . ." Are these the words of a Rhodesian Hitler determined to treat the Africans as the Nazi regime treated the Jews? Yet that *is* the image which has been created of Ian Smith.

Yet is there political freedom in Rhodesia? Is there not suppression of effective opposition? Again, I have found that most Americans and Britons who have been interested in the subject believe that the expression of anti-government *views* is somehow restrained. The truth is, I think, that the restrictions imposed have been aimed not at *opinion* but firstly at incitement to mob violence, terrorism, and intimidation, and secondly at more subtle attempts to destroy morale.

It is possible that, through an element of war hysteria created by world hostility and organized misrepresentation of their aims, the Rhodesian government has gone beyond what has been needed to prevent instigation to disorder; but confronted with sustained cold war

aggression, together with the burden of sanctions, it was vital that they should maintain legitimate hopes of success in their struggle to preserve non-racial democracy. Although the newspapers of Salisbury and Buluwayo (which are under a single British ownership) have a justified reputation for responsibility, they have pursued a policy of supporting Britain right or wrong. Their news presentation and comments were obviously felt to be destructive of good racial feelings, and even worse, destructive of *faith* in the power of Rhodesia to survive the world's aggression (through sanctions and otherwise).

The Rhodesian government had no journals of their own of similar influence; short of nationalizing the press, they were led to drastic censorship; and the power to censor remains. The Ashbrook Committee reports that it is the Administration's "earnest hope that the worst rigors of censorship are past. . . . If the editors would only be a little more co-operative, the whole unpleasant business could be brought to an end."

THE SORT OF PROBLEM which has to be resolved can be illustrated by difficulties encountered at the University College of Rhodesia recently. As in virtually every college or university of the free world, a few Communist *sympathizers* among staff and students (of course, "they are not Communists," we are always assured) appear to work for the "other side" in the cold war. They work as unobtrusively as they can, but their task is to spread dissention and inspire "demonstrations." Now it was the hope of the Smith Government that the College could train a growing number of Africans to take their part among Rhodesia's future rulers, and that within its walls the old prejudices, antagonisms, and misunderstandings could be eradicated. A minority among the staff, however, (mostly British) seemingly indoctrinated with the notion that the fomentation of race hatred, and the quiet implementation of class and race war are legitimate in the struggle against "capitalist imperialism," were causing serious friction. They seemed to be inculcating

901

Page Nine

NEW INDIVIDUALIST REVIEW

resentments and the spirit of revenge among the African students. The deportation of certain lecturers who were believed to be guilty of this abuse of academic freedom has naturally been represented as, in itself, a denial of that freedom.

A typical misrepresentation can be mentioned. Last year the College entertained the Principal of the University of Cape Town, Dr. J. P. Duminy. At the ceremony, a deplorable demonstration was organized among some of the students on the grounds that the principal of "a segregated university" was being honored. The American journal, *Christianity and Crisis*, subsequently published an article which sought to justify this insult to an eminent academician, by describing the invitation to Dr. Duminy as "provocative to the African students." Yet the University of Cape Town is (and will always remain, I hope) open to students of all races. Segregation is imposed by the government of South Africa upon students wishing to attend, not by the University's own decision or regulations. Moreover, every year after he was appointed, Dr. Duminy, together with the Chancellor of the University, played his role in an annual ceremony and procession of protest at which the "torch of academic freedom" is carried—a torch which was ceremonially and solemnly extinguished when academic *apartheid* was enacted. The writer must have known these facts. Why did he suppress them?

If, in these circumstances, the Rhodesian government has resorted to press censorship and suspension of the rule of law (and of *habeas corpus*) in dealing with suspected troublemakers, the criticisms of those far from the scene ought, at any rate, to be guarded. There are no racial riots and no *obvious* signs of smouldering discontent among the great mass of Rhodesian Africans. From that angle, whatever the demerits of the regime, it has its concomitant virtues. Ashbrook's Committee reported of the Rhodesian capital: "The only troops in evidence are a handful of smiling Africans. . . . On the streets white and black mingle with one another with every appearance of courtesy and good humor.

. . . During the whole of our visit, we never heard a siren; . . . we never noticed so much as a sidearm. . . . The perceptive American knows that racial tensions can be sensed; but he senses none of these tensions here." We must remember that, due to the infiltration of saboteurs trained abroad, Africans who wished to co-operate in the democratic order, by enrolling as voters or by actually voting, were for some time in danger of being murdered, tortured or having their houses and crops destroyed and their cattle maimed. After Rhodesia's independence, the Zambia Broadcasting Corporation, with the collaboration of the BBC, explicitly exhorted participation in sabotage and murder. This seemed incredible to me when I first heard of it; but it is true. Tape recordings exist and the text has been published. Both the PCC⁴ (formerly ZAPU) under Nkomo, and ZANU⁵ under Sithole, are supported by the two great Communist powers. Captured bombs, grenades, and machine-guns together with sabotage instruction manuals from various places beyond the Iron Curtain have been produced in the courts.

The first big campaign for lawlessness and disorder was rapidly suppressed by the loyal and efficient Defence and Police Forces.⁶ Internal peace then ruled for some time; and a second large-scale effort launched from Zambia recently appears also to have been effectively suppressed. Those who forecast wide-spread bloodshed following the Declaration of Independence have been proved wrong, although many Africans lost their lives and their property at first.

IN DEFENDING THE Rhodesian regime from contemporary misrepresentations, I must not leave the impression that, in my judgment, the Africans have no legitimate grievances. There *are* surviving discriminations. How rapidly the causes of the discrimination can be removed will depend upon the wisdom of

⁴ People's Caretaker Council.

⁵ Zimbabwe African National Union.

⁶ It is perhaps significant that, at the rank and file level, Africans constitute the majority in the Defence and Police Forces.

THE RHODESIAN CALUMNY

those elected as the weight of the African vote gradually increases. Moreover, as I have already insisted, there *are* supremacists in Smith's Rhodesian Party. But the Prime Minister himself vehemently and indignantly denies that his policy is moving towards *apartheid*. He maintains—and with patent sincerity, I believe—that his government stands for non-discrimination and the right of all to progress on merit.

U.S. Representative J. D. Waggoner claimed recently that "Segregation is unknown in Rhodesia. It is forbidden by law. Public facilities, hotels, bars, buses and the like are open to one race as well as another." That *is* broadly the position; but a cultured African is, I understand, still subject to indignities and affronts, mainly from Whites of a lower social class; and exclusions by subterfuge occur here in other spheres,⁷ fortunately not in the University College, or in public transport, or in public buildings. In housing, *de facto* segregation persists fairly widely, but only in the sense in which this assertion is still equally true of the United States, and it is basically an income segregation. (The most stupid follies of *apartheid* are not found in Rhodesia).

The remaining major discrimination imposed by law against Africans is, in my opinion, that due to segregation maintained under the *Land Apportionment Act*. There is, I believe, almost universal agreement that this Act must eventually be drastically amended; but the case against precipitate action is strong. What *were* the objects of the *Land Apportionment Act*? The British Parliament passed it with two aims in mind:

The first aim was to attract settlers with enterprise and know-how capable of developing the flow of real income for the benefit of all races (which aim has been realized). The Act was in the na-

ture of a contract with the settlers who responded. If there was any element of privilege conferred by the contract, it resembles the monopoly promised to prospectors everywhere—to induce them to risk capital in searching for the earth's hidden wealth.

The second aim was to protect land allocated to African ownership from purchase by Whites. There is, I understand, no *legal* restraint on the sale of agricultural land in White ownership to Africans: the chief protection the Act provides is for Blacks, not Whites.

Mr. Palmer told his audience that "the acreage reserved for the white minority consists of the best land." That is not true. In a reply to Mr. Palmer, the Rhodesian Ministry of Information has pointed out that "there was a slightly higher percentage of higher fertility soils in the African area than in the white area, nearly twice the percentage of medium fertility soils and, while only 37 per cent of Rhodesia has a rainfall above 20 inches, half the African areas fall within this zone."

Now it is complained also that the area of land *per head* possessed by Whites is incomparably greater than that possessed by Africans *per head*. Of course, but should that be a grievance? The Whites equally remain in possession of a proportionally greater capital *per head* in other forms; but it was the capital which their enterprise, stubbornness, expertness, and energy could alone have created. What is now their land was hardly capital when they took it over. It was virtually valueless—almost wholly unproductive scrub. Many of the critics of Rhodesia *seem* to be arguing that the Whites should be dispossessed of that property simply *because* they are Whites. But the principle of non-discrimination condemns privilege, not property. Privilege may become property—e.g., import licenses may become assets—but property is not privilege. It cannot be held that the Whites *exploited* the Africans they employed.

THE CHIEF OBSTACLE to a more rapid achievement of equality of economic opportunity on the part of Rho-

Page Eleven

⁷ Segregation in schools has not discrimination as its purpose, but maintenance of standards. This is not just hypocrisy. No one believes, I think, that it will survive African progress in the cultural and educational fields. The Ashbrook Committee reported, after interviewing three African members of the Rhodesian Parliament, "They do not urge even the integration of elementary and secondary classrooms."

desian Africans is to be found, however, in the labor market. This is an aspect of the problem, however, which Rhodesia's critics all pass over. Just as in the Republic of South Africa, the most powerful color bars in Rhodesia do not arise from quite honest exclusions in "job reservation" form, or from the indirect but still obvious exclusions via "group areas" and "labor allocation" forms. It is the simple insistence on "the rate for the job" which creates the really vicious color injustices. The principle of "equal pay for equal work" prevents the African from discounting his initial inferior training for many types of work required in modern society, the extra costs of employing him (including the unrest which labor union leaders can initiate by playing on the color prejudices of the Whites). It confines him on the whole, therefore, to occupations of relatively low productivity and value, and it destroys the business incentive to invest in the inculcation of industrial skills. Where the Rhodesian Africans are progressing economically is in the spheres where the standard rate cannot be enforced and labor union power cannot be exerted—in the white collar occupations, journalism, and the civil service. In the professions and in business, the qualified Africans encounter merely the kind of obstacles (not imposed by law) which similarly qualified Negroes encounter in the United States. But it is through restraints in the labor market, of a kind which are defended by practically all Rhodesia's critics, that the key injustices can be discerned.⁸ Whether African leaders wise enough to perceive this reality are likely to emerge in the near future is very doubtful. But as the

political progress of Africans under the present constitution will be to some extent dependent upon economic progress, their leaders will have every incentive to rescue their people from the tyranny of "the standard wage-rate."

Of course the constitution withholds present majority power from the Africans, but the purpose is to insure their eventual sharing in the heritage of the West by preventing their destruction of it; and the planned gradualness is surely to be welcomed. Blacks as well as Whites are stupidly emotional on the skin color issue in all areas of contact all over the world. The problem is aggravated when color prejudice is merged, as it usually is, with class prejudice. With gradualness and steadfast policy, these prejudices can be dissolved; but demagogues demanding haste can sabotage the process.

Those who, like myself, regard color prejudice as the worst social evil of the contemporary era must strive for the removal of the sanctions which were imposed against Rhodesia after she was condemned, *unheard and unrepresented*, by the United Nations. If we want the most hopeful planned attempt the world has ever experienced to achieve a free multi-racial society to be allowed to demonstrate its potentialities—for the benefit of all—we must, indeed, go even further. Rhodesia deserves generous compensation for the harm already caused, mainly to innocent Africans, from past efforts to compel her to capitulate to the prospect of black totalitarian racism; and in the United States, if the Negroes were rationally and disinterestedly led, we should find them fighting for the right of the Rhodesian Africans to qualify for a democratic and prosperous future; and that means their protection from the "one man, one vote" tyranny which capitulation to the PCC and ZANU would surely impose upon them.

⁸ Since NRA, in the United States the relative progress of male Negroes appears to have been confined solely to the white collar field (clerks, salesmen, teachers, or professional men), and to the entrepreneurial field, or to professional sport.

Community, Leadership and Progress

SVETOZAR PEJOVICH

905

LET US BEGIN OUR discussion with a few observations of basic characteristics in every human community. First, the members of a community are unequal with respect to both the distribution of their abilities as well as the hierarchy of their wants and aspirations. Secondly, we can distinguish between two forms of social life in every community: the communitarian forms of life and the contractual forms of life. The former we define as the accepted principles of behavior, such as justice, truthfulness, and love, which each member of the community is expected to observe. The latter serves the purpose of harmonizing, or equilibrating, different interests of the community members through exchange. Thirdly, the relationship between the two forms of life is one of mutual interdependence. The communitarian forms of life determine the quality and content of contractual agreements; that is, the quality of contractual agreements is constrained in a specific way by the prevailing communitarian forms of life. At the same time, any deviation of contractual agreements from the principles of behavior would, if that deviation is accepted by the community, force the communitarian forms of life to adjust in order to embrace the novelty. Consider for example the his-

tory of the institution of marriage in a number of European communities. For some time the communitarian forms of life had prescribed that a mature girl must show an unquestionable obedience to her father including, of course, the acceptance of the man whom he selected to be her husband. When in the course of time young people had begun to choose their own partners, the quality of contractual agreement with respect to the institution of marriage changed and its acceptance — notwithstanding the resistance of the prevailing communitarian forms of life — brought about changes in the accepted principles of behavior. It became possible for a girl to reject her father's choice of mate without fear that it could result in her eventual alienation from the community.

Finally, the interaction between the communitarian and contractual forms of life in a community leads to the emergence of a number of social institutions. Some of those institutions are impartial, that is, they serve the purpose of reducing social conflict created by the confrontation of all the different interests and aspirations of the community members (e.g., open-market competition, democratic elections), while some others are founded with the explicit purpose of promoting the self-interest of specific groups in the community (e.g., trade unions, government-sheltered monopolies).

Svetozar Pejovich is Associate Professor of Economics at Texas A&M University.

Page Thirteen

Consider a community as it moves along through time. If there were no changes in the quality of contractual agreements the community life would flow through time undisturbed. The role of its rulers would be limited to the supervision of contractual agreements and to keeping them in agreement with the prevailing principles of behavior. A number of communities in Africa and Asia, where life has not changed for centuries, offer a good example of this type of communitarian life.

It is true, of course, that the years of accumulated experience must contribute to some improvements in the execution of contractual agreements. Those improvements, however, would only introduce changes in the data of the system but not add new phenomena. In other words, only some *quantitative* changes could be expected to take place within the firmly established framework of a "routine" life community. The meaning of time in a "routine" life community, as it emerges from our discussion, is an *objective* one: the sequence of events is independent of the action of the actor; man's activity can be predicted, i.e., it is given to him objectively from without. Life in a community of this type is unimaginative and uninspiring.

IT WAS SAID THAT the contractual forms of life serve the purpose of satisfying human wants through exchange. We must now make a clear-cut distinction between the "existing" or "known" wants and "newly created" wants. The former are wants which have been accepted by the community for some time and whose satisfaction can be attained through the prevailing contractual forms of life. The latter are wants — let us call them potential wants — which someone would like the community to become aware of, try them out, accept, and thus include in the sphere of "existing" wants. For example, the concept of equality before the law had not belonged to the sphere of "existing" wants in medieval Europe, but its later acceptance by the majority of European communities indicates that it was a definite potential want.

Page Fourteen

The introduction of potential wants calls for a *change* in the quality of contractual agreements; but the *acceptance* of a change in the contractual forms of life must lead, as we have seen, to a re-adjustment in the communitarian forms of life. It follows that the actualization of potential wants, i.e., the injection of a novelty into the community's life is an act of social-reorganization. This kind of social change we shall call progress, because the community's voluntary acceptance of new wants and, consequently, of new forms of life indicates that it considers them superior to the old ones. We conclude that progress involves a double variation: the quantitative changes, i.e., more of the same, and the qualitative changes, i.e., successful actualization of potential wants.

It appears that human progress is triggered by a group of men whose vision is not constrained by the prevailing forms of life, and who are capable of overcoming the inevitable resistance of the prevailing social institutions. The fact that the action of these men — let us call them *free agents* — means an injection of something new into the community's life implies that the outcome of their action can only be anticipated, not predicted. The free agent, therefore, must knowingly and willingly accept the risk of seeing his ideas and, consequently, himself rejected by the community.

While wear and tear of time and the passivity of matter naturally dissipate the things of this world and the energy of history, the creative forces which are characteristic of the spirit and freedom and are also their witness and which normally find their point of application in the effort of the few — thereby destined to sacrifice — constantly revitalize the quality of this energy. Thus, the life of human societies advances and progresses at the price of many losses.¹

Thus, in a "progressive" community a new meaning for time emerges: the sequence of events becomes dependent on the action of the free agent. In Western

¹ J. Maritain, *The Rights of Man and Natural Law* (New York: Charles Scribners' Sons, 1943), p. 30.

COMMUNITY, LEADERSHIP AND PROGRESS

Europe free agents emerged from the ranks of small traders, bankers, artisans, and craftsmen, i.e., from the ranks of the rising middle class. The middle class wanted to distinguish itself from the lower classes of wage and farm labor, while at the same time it was envious of all the honors, privileges, and status enjoyed by the nobility. The members of this class turned their attention to commercial activity and the accumulation of wealth, and in doing so they re-organized the social structure of the West.

SO FAR WE HAVE discussed two types of communities: the "routine" life community and the "progressive" community. The former is leaderless, that is, there exists no man in that community capable of disrupting the circular flow of life by offering something new to its members, something which they have not known or tried before. A "routine" life community has its own elite and rulers, to be sure, but those people are not its leaders; their job is to preserve peace and order within the existing social framework. The "progressive" community has its true leader: the free agent. He is the man who injects into the community's life, usually at a great risk to himself, something essentially new, something which is not an outgrowth of the past. He provides his community with an energy capable of disrupting its routine life and with a *choice* between new and old forms of life.

If our concept of progress—social changes voluntarily accepted by the community—is a sound one, then we can conclude that human progress depends on the rate at which free agents are able and willing to *suggest* changes; and the number of *suggestions* must, obviously, depend on the number of the people who are given freedom to make them. It follows that the central problem of human progress is to find the social organization, or environment, most conducive for carrying out innovating actions. I submit that the environment in which each and every man is allowed to be his own exclusive agent, in which each and every man enjoys freedom from organized groups, and in which no social institu-

tions serving some specific group interests are sheltered by the community rulers, will make each and every man a potential leader (free agent).

The presence of the class of free agents in a community is likely to mean the difference between degeneration and creation, mechanical life and inspiring life. In a "routine" life community the leaderless man adjusts himself to the world. In a "progressive" community, thanks to the presence of free agents, man constantly improves the world.

In addition to the two types of communities discussed above there exists a third type which we may call the "changing" community. Consider for example what is happening today in a number of emerging countries in Africa and Asia. The idea of progress had hit the elite rulers of those communities from without long before the class of free agents emerged, thus forcing the respective elite governments to assume the role of sole innovator and to "legislate" progress by compelling the people to accept new forms and ways of life.

The trouble is, of course, that in the absence of impartial social institutions such as open-market competition and democratic elections it becomes quite difficult if not impossible to ascertain whether social changes imposed by the government have been voluntarily accepted and, thus, considered superior to the old forms of life by the community at large. Since the acceptance of social changes instituted by the government is coercive rather than voluntary it may well be that the government sponsored changes do not mean the actualization of people's potential wants and, hence, progress. While it is often argued that an important advantage of the "changing" community is that it helps its members to break away from the old forms of life, the fact remains that this type of community is promoting change rather than *progress*. Consequently, there is no reason to believe that social changes which people are *compelled* to accept represent the pattern of social development preferred by them.

The conclusion of this paper, of course, is that progress cannot be legislated from without, or suppressed altogether from

NEW INDIVIDUALIST REVIEW

within, although it can be impeded. It depends on the presence of free agents, a group of people not constrained in a specific way by prevailing forms of life and who are willing to accept the risks of carrying out their vision; it accelerates when the right of each to act as his own exclusive agent is protected; it grows in the absence of social institutions promoting some specific interests; and because it depends on the commun-

ity's freedom to accept or reject proposed social changes, it depends on the existence of impartial social institutions. Only those social changes which the community voluntarily accepts can be properly called progressive, and social restrictions on the non-conforming lifestyle of free agents represents as mistaken an approach to society's optimal welfare as forced adoption of changes from outside.

908

SELL NIR TO YOUR FRIENDS

There is no better way to promote limited government, free market ideas than to place a copy of **N.I.R.** in the hands of every concerned individual. Our quantity rates:

2 for \$1.80	3 for \$2.45	4 for \$3.00
5 for \$3.50 plus 50 cents for each additional copy		
10 for \$6.00 plus 40 cents for each additional copy		
25 for 12.00 plus 35 cents for each additional copy		
50 for \$20.75	\$40.00 in multiples of 100	

Schedule of dealers' discounts:

10-24 copies, 48%. 25-49 copies, 56%. 50-99 copies, 60%.

Details of consignment contract are available on request.

Page Sixteen

The Political Thought of Michael Oakeshott

JAY A. SIGLER

909

PROF. MICHAEL OAKESHOTT, of the London School of Economics, is widely regarded as the most articulate and influential conservative political theorist in England today. A successor to the chair of Harold J. Laski, eminent Marxist theorist, Prof. Oakeshott has dealt extensively with refining a conception of conservatism within the tradition of Edmund Burke and St. Thomas Aquinas. While resisting the creation of an orthodox conservative ideology to counteract the dominant liberal ideology, Oakeshott has sought to provide a philosophical basis for criticism of liberalism. As founder of the *Cambridge Journal*, Oakeshott sought to provide an outlet for English conservative thought. Since Prof. Oakeshott is a philosopher, historian, and critic of some note we find in his writings possibly the epitome of the best in conservative thought.

The importance of the conservatism of Prof. Oakeshott is due to his philosophical rigor and consistency. The philosophical basis for Oakeshott's conservatism is to be found in his first book, *Experience and its Modes*, written in 1933, when Oakeshott was thirty-two years old. In an effort to identify the basis of all knowledge as the totality of empirical experience taken as a coherent whole, Oakeshott insisted that only in

the coherence of experience could truth be found.¹ From this standpoint, a slice of experience, which Oakeshott calls "a mode of experience," may be considered an abstraction from reality, not reality itself.² The tendency to confuse the abstraction of ideology with the concrete world of experience was a fundamental error which Oakeshott sought constantly to avoid, as his later work indicates. This awareness generates his philosophic suspicion of all ideological generalizations.

Even history can provide no sure guide to political activities:

Both the active politician and the writer on politics, both the reformer and the conservator invoke the oracle of history and interpret its answer according to their predisposition, giving out their conclusions as the lessons of history. But history itself has neither the ideas nor the language wherewith to teach practical conclusions.³

History itself is experience, just like the experience of the contemporary environment.⁴ Abstractions drawn from it, since they describe only a portion of reality, cannot be wholly "true." Patriotism, a love of the past, is often based on a fan-

¹ *Experience and Its Modes* (Cambridge: The University Press, 1933), p. 323.

² *Ibid.*, p. 327.

³ *Ibid.*, p. 316.

⁴ *Ibid.*, p. 99.

Jay A. Sigler is Assistant Professor of Political Science at Rutgers University.

cied past, or a remembered past, rather than the historical past. It is this part, which is known as *our* past, which forms each nation's private view of history.⁵ It is in that "political past" rather than the actual, historical past that Oakeshott finds the source of a nation's traditions and customs. It may not be "truth" but it may provide the best guide to future action.

Many political beliefs which appear to be coherent doctrines turn out on examination to be less than that. It may be that "the social and political beliefs of representative democracy are more in the nature of a tradition and a tendency than a well-knit doctrine."⁶ Most competing contemporary ideologies are superficial and non-philosophical, enjoying in this respect no superiority over contemporary democracy. Among contemporary social theories "the Catholic social and political doctrine stands far above any of the others, for it at least has the help of a profound thinker, St. Thomas Aquinas, and is not dependent for its philosophy on some vague leaning towards a half understood and wholly confused pragmatism."⁷ Oakeshott finds many of the principles of conservatism in Catholic philosophy.⁸ Certainly, he feels we have much to learn from the coherence and consistency of that system.

In traditional political philosophy the search for an entire and coherent understanding of political life as an aspect of total civilization engaged the greatest thinkers. In high political philosophy mere reflection on political life is replaced by "the intellectual restoration of a unity damaged and impaired by the normal negligence of human partiality."⁹ Such classical political philosophies are not now being written. Political ideology is a pale shadow of a political philosophy, an abstraction of an abstraction. In any event, the great political philosophies did not believe, as do contemporary

ideologists, that political activity is a good in itself, but believed, instead, that politics "is contributory to an end which it cannot itself bring about."¹⁰ With the disappearance of the belief in high moral ends, the scope of activity of the political thinker is diminished. Oakeshott himself plays the role of critic of ideology rather than builder of a massive system of political philosophy.

IN OUR LIFETIME the attempts to construct metaphysical systems of thought have been replaced by the construction of scientific theories. Oakeshott, although respectful of the achievements of modern science, is suspicious of attempts to transfer the methods of science to the arena of politics.¹¹ Yet the belief "that politics, at their best, are the science of the arrangement and improvement of human societies in accordance with certain abstract ideals" has been the main "inspiration of political activity in Western Europe for the last two hundred years."¹² Fascism, rather than being a reaction to the rational ideas of contemporary liberalism, is seen by Oakeshott as a rejection instead of far older traditional ideas of representative government, ideas which liberalism, with its project of a science of politics, also rejects.¹³ This is what makes scientific politics a dangerous conception. The academic study called "political science" is also condemned by Oakeshott as unsuitable even for university undergraduates, because no such scientific understanding as yet exists.¹⁴

This is an age in which Oakeshott sees an almost universal speculative interest in morals and politics; but Oakeshott feels that undue interest in morals and politics is a sign of an unhealthy society. It is an age when the coherence of a universal philosophical scheme is impos-

⁵ *Ibid.*, p. 103

⁶ *The Social and Political Doctrines of Contemporary Europe* (Cambridge: The University Press, 1939), p. xvi.

⁷ *Ibid.*

⁸ *Ibid.*, pp. xix-xx.

⁹ *Introduction to Leviathan*, by Thomas Hobbes (New York: Macmillan, 1947), p. x.

¹⁰ *Ibid.*, p. lxi.

¹¹ "Science and Society," *Cambridge Journal*, I (July 1948), 696-97.

¹² "Scientific Politics," *Cambridge Journal*, I (March 1948), 349-50.

¹³ *Ibid.*, p. 351.

¹⁴ "The Study of Politics in a University," in *Rationalism in Politics* (New York: Basic Books, 1962), p. 329n.

sible.¹⁵ The alleged stability of earlier ages is largely exaggerated. It may be true that other ages "possessed more reliable habits of behaviour, but a clear view of the ends of human existence has never been enjoyed except by a few rare individuals."¹⁶

In a scientific age such as our own, Oakeshott reminds us that the methods of science depend upon the faithfulness of the scientist "to the traditions of scientific inquiry."¹⁷ Politics itself is a "second-rate form of human activity, neither an art nor a science."¹⁸ The study of politics "should be an oecological study of a tradition of behaviour,"¹⁹ not a pursuit for false hopes of human engineering or a rashly optimistic science of politics. We must be humble in the face of human variety and the fallibility of human "rationality." No political theory or ideology can grasp the whole of experience. There is no chart of politically rational theory.

In political activity, then, men set sail on a boundless and bottomless sea; there is neither harbour for shelter nor floor for anchorage, neither starting-place nor appointed destination.²⁰

The concept of tradition is central to Oakeshott's approach. A "tradition of behaviour" is "a principle of continuity" which is derived from the past and extends into the future. It is not learned as an abstract idea, but is a "concrete, coherent manner of living in all its intricateness."²¹ The coherence of human activity, what gives life its pattern, is inherent in the activity of living. The elements of the pattern are called "customs, traditions, laws."²² Oakeshott goes so far as to say that "in general, constitutional

tradition is a good substitute for philosophy."²³ In simpler terms, a "tradition of behaviour" is a better guide to political conduct than any theory or ideology because it is based upon the whole of life, rather than upon some abstraction derived from life. Experience is a more trustworthy guide than any book, but "even in the most favourable circumstances," it may take "two or three generations to acquire" the political traditions of a society.²⁴

AN IDEOLOGY, FOR Oakeshott, is an abridgement of a tradition. The conversion of a "habit of behaviour" into a comparatively rigid system of abstract ideas creates a "politics of destruction and creation" as a substitute for "the politics of repair."²⁵ It is of the essential character of an ideology that it presents itself as knowledge. However, ideology "by itself is always an insufficient guide" because political fact, actual experience, must always precede political activity.²⁶ Ideology, then, is always false knowledge because it is an abstraction of reality, even at its best. Oakeshott finds himself opposed to ideology in any form, including conservative ideology. It is the distinguishing feature of Oakeshott's variety of conservatism that he sees the opposition of conservatism and liberalism as one of contrary claims to knowledge. This peculiar feature of Oakeshott's conservatism is that it attempts to make the lack of a specific program or doctrine a merit rather than a shortcoming. The conservative is one who is sceptical "about the possibility of . . . perfection," one who is determined "not to allow human life to be perverted by the tyranny of a person or fixed by the tyranny of an idea."²⁷

Oakeshott identifies the source of ideological infection as the development of what he calls "modern Rationalism." The rationalist stands for independence

¹⁵ "The Universities," *Cambridge Journal*, II (May 1949), 530.

¹⁶ *Ibid.*, p. 520.

¹⁷ "Rational Conduct," in *Rationalism in Politics*, p. 103.

¹⁸ Introduction to *Leviathan*, by Thomas Hobbes, p. lxi.

¹⁹ "Political Education," in Peter Laslett, ed., *Philosophy, Politics and Society* (New York: Macmillan, 1956), p. 19.

²⁰ *Ibid.*, p. 15.

²¹ *Ibid.*, p. 17.

²² "Rational Conduct," *op. cit.*, p. 105.

²³ "Contemporary British Politics," *Cambridge Journal*, I (May 1948), 475-76.

²⁴ "Rationalism in Politics," in *Rationalism in Politics*, p. 30.

²⁵ *Ibid.*, p. 21.

²⁶ "Political Education," *op. cit.*, p. 9.

²⁷ "Scientific Politics," *op. cit.*, p. 357.

of mind on all subjects at all times, irrespective of tradition or authority. Confident of his capacity for "reason" the rationalist "has no sense of the cumulation of experience"²⁸ and optimistically pursues the "politics of perfection" heedless of the limits of unaided reason and regardless of the disturbances and injuries he may cause. The philosophy of John Locke, of Bentham, and Godwin encouraged this faith which has resulted in the mixed blessings represented by the ideas of "open diplomacy, the planned society, federalism, nationalism, votes for women, the world state and the destruction of the Austro-Hungarian Empire."²⁹ The flaw in the rationalist theory is the assumption of the existence of a mistake-proof apparatus called a "mind" which is an independent instrument made capable of dealing with experience by means of externally imposed educational training.³⁰ Brushing aside accumulated customs and habits, the rationalist romantically assumes that each generation begins with a fresh political and social slate. The existence of a mentally discoverable "natural law" is a typical rationalist error, and is rejected by Oakeshott.³¹

Against the charge that the rejection of rationalism creates an irrational position, Oakeshott replies that rationalism itself is not a "rational" doctrine and that the definition of "rational" behavior includes more than the rationalists admit. Oakeshott defines "rational" conduct as "faithfulness to the knowledge we have of how to conduct the specific activity we are engaged in," and "acting in such a way that the coherence of the idiom of activity to which the conduct belongs is preserved and possibly enhanced."³²

Scientific activity is "rational" to the extent to which it follows its own traditions of procedure. Political activity is "rational" to the extent that the politician proceeds in accordance with the customs and traditions of the nation.

Nations are "hereditary, co-operative groups, many of them of ancient lineage" which enjoy a past, a present and a future.³³ Democracy and other ideologies are not subject to export because they are not formal belief systems but are contained within the tradition of a nation. Politics, then, becomes a "pursuit of intimations,"³⁴ a present conversation with the past on behalf of the future.

THE BUSINESS OF THE politician is to prevent the concentration of power in a society and to break up all concentrations of power which have the appearance of becoming dangerous.³⁵ Thus Oakeshott is strongly in favor of anti-monopoly legislation, although also a friend of the institution of private property. He defends private property as the surest bulwark for personal liberty; but the maximum diffusion of the power which springs from ownership is the proven source of liberty. Massive corporate businesses or massive labor organizations both threaten liberty by imposing limitations upon the prerogatives of individual behavior. The possession of private property permits a man to choose among groups and to move freely within society; and a freely competing economic system is the essence of personal freedom.³⁶

Collectivism is the enemy of freedom, but it may be found in many guises. Collectivism and freedom are the real alternatives. The collectivist rejects the idea

²⁸ "Rationalism in Politics," *op. cit.*, p. 2

²⁹ *Ibid.*, p. 6.

³⁰ "Rational Conduct," *op. cit.*, pp. 85-87.

³¹ "Science and Society," *op. cit.*, p. 696. He also rejects the concept of natural rights in "Rationalism in Politics," *op. cit.*, p. 27n.

³² "Rational Conduct," *op. cit.*, pp. 101-2. As Oakeshott states: "... it is important that a writer who wishes to contest the excessive claims of 'Rationalism' should observe the difference [between rational inquiry and 'rationalism'] because if he fails to do so he will not only be liable to self-contradiction ... but also he will make himself appear the advocate of irration-

ality, which is going further than he either needs or intends to go." "Scientific Politics," *op. cit.*, p. 349.

³³ "Political Education," *op. cit.*, p. 2.

³⁴ *Ibid.*, p. 13.

³⁵ "Contemporary British Politics," *op. cit.*, p. 486.

³⁶ "The Political Economy of Freedom," in *Rationalism in Politics*, pp. 46-48. In certain cases Oakeshott entertains the idea that government monopoly might be preferable to American-style private radio and television. "The B.B.C.," *Cambridge Journal*, IV (June 1951), 553-54.

of the diffusion of power and insists upon the necessity of central direction. The creation of great unified power is necessary to this end and ultimately a collectivist government must enforce its imposed order at the price of liberty.³⁷ The collectivist fails to understand the "poetic character of all human activity" and the ultimate result of such a society is that "everybody (with the partial exception of the planners themselves) is deprived of so much freedom that the regime would at once be recognized as a tyranny" if we were not deluded into thinking that we had exchanged a new freedom for our lost freedom.³⁸

The word "conservative" itself is really a description of an emotional disposition more than a creed or doctrine. It signifies a preference for the familiar to the unknown, experience to the experimental, an acceptance of the need of change within the framework of accepted rules and practices. The conservative, who is a reluctant innovator, believes that the role of government is limited to keeping the peace, rather than including the power to impose choices. He believes this because he is suspicious of any claims to political expertise, and aware of the essentially selfish pursuit of happiness. Yet a man could be radical in all other respects while being conservative in his politics. The conservative accepts the world and people as they are, with all their flaws and imperfections.³⁹ Ultimately, Oakeshott is in agreement with Hobbes, whom he greatly admires, in that:

Here in civil society is neither fulfillment nor wisdom to discern fulfillment, but peace . . . the only thing in human life, on Hobbes's theory, that can be permanently established.⁴⁰

³⁷ "The Political Economy of Freedom," *op. cit.*, p. 51.

³⁸ "Contemporary British Politics," *op. cit.*, p. 484. War is considered by Oakeshott to be the enemy of freedom because it encourages that artificial unity which is the aim of the collectivist planner. "The Universities," *op. cit.*, p. 525.

³⁹ "On Being Conservative," in *Rationalism in Politics*, pp. 168-96.

⁴⁰ *Introduction to Leviathan*, by Thomas Hobbes, p. lxvi.

SOME HAVE SAID OF Oakeshott that his ideas are unoriginal, but it may be, as Bernard Crick suggests, that Oakeshott has written "two or three of the subtlest political essays of the century."⁴¹ Another critic claims that Oakeshott has assumed the posture of anti-politics, of one who is bored with politics and politicians.⁴² Regardless of the final appraisal, it still seems true, as Russell Kirk insists, that Oakeshott's essays reveal the low estate of American conservatism.⁴³ It is this author's contention that a thorough reading of Oakeshott's writings reveals a consistent philosophical approach to modern conservatism, a consistency lacking in American conservatism, as it is in most contemporary political thought.

If Oakeshott is extremely historical, this is not inappropriate for a conservative.⁴⁴ If Oakeshott is deeply concerned with the dangers of planning, this too, is consistent with the mainstream of modern conservatism.⁴⁵ It is true, as Peter Viereck insists, that American conservatism lacks a long tradition rooted in feudalism;⁴⁶ but that does not necessarily disprove Oakeshott's contention that all societies have traditions which are guides to present action. Neither is it a fair criticism to suggest that a conservative position need be doctrinaire, or contain particular programs or actions.⁴⁷

⁴¹ "The World of Michael Oakeshott," *Review of Rationalism in Politics, Encounter*, XX, No. 6 (June 1963), 65.

⁴² David Marquand, "Floating," *Review of Rationalism in Politics, New Statesman*, LXIV (October 26, 1962), 574.

⁴³ *Review of Rationalism in Politics, American Academy of Political and Social Science, Annals*, CCCXLVII (May 1963), 181.

⁴⁴ "In the demonstration of the validity of ideas history had been, in truth, one of the great weapons of the conservative. From history one may derive a behavioral criticism of both revolution and reform." F. G. Wilson, "The Anatomy of Conservatives," *Ethics*, LXX (July 1960), 276.

⁴⁵ "But the conservative concern, always the same, has been consistently with the 'planners,' the thinkers of abstract schemes, the know-better innovations of the politically unresponsive intellectuals." Gerhart Niemayer, *Review of Conservatism in America*, by Clinton Rossiter, *Journal of Public Law*, IV (Fall 1955), 443.

⁴⁶ Peter Viereck, *Conservatism Revisited* (Rev. ed.; New York: The Free Press, 1962), p. 143.

⁴⁷ See Willmoore Kendall, *The Conservative Affirmation* (Chicago: Henry Regnery Co., 1963).

The achievement of Prof. Oakeshott has been to provide a contemporary restatement of the essence of conservatism, based on a consistently maintained philosophical position. In doing so, Oakeshott borrows from many preceding conservative thinkers, composing an amalgam of his own. Although rejecting, with Burke, Hobbes's attempt to create a scientific politics,⁴⁸ Prof. Oakeshott is close to accepting Hobbes's view of human nature. Although discarding the idea of natural rights, Oakeshott retains a deep admiration for Aquinas, from whom Oakeshott draws some of his own views regarding the proper role of government.⁴⁹

⁴⁸ Edmund Burke, *Burke's Politics*, ed. by R.J.S. Hoffman and P. Levack (New York: Alfred A. Knopf, 1949), p. 228.

⁴⁹ St. Thomas maintains that it is the function of the political ruler merely to maintain peace and order by seeing to it that all the services of public administration and defense are performed, thus removing all impediments to the

Oakeshott admittedly builds on the work of Henry Simons in his essay on private property,⁵⁰ but he goes beyond Simons to provide a logical defense of private property as a necessary part of individual freedom. Oakeshott is not merely echoing Burke's famous statement: "The individual is foolish . . . but the species is wise,"⁵¹ when he rests his case against rationalism by citing the "tradition of behavior." He is trying, instead, to counteract the abstractions of rationalist innovators with the concrete facts of everyday and historical experience. It is Oakeshott's aim to indicate the method of political knowledge and by his success in achieving that goal he must be judged.

good life. See G. H. Sabine, *A History of Political Theory* (New York: Henry Holt, 1950), p. 250.

⁵⁰ *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948).

⁵¹ Burke, *op. cit.*, p. 227.

Two Decades of Economic Planning in Yugoslavia

LJUBO SIRC

915

DURING THE SECOND World War, the Yugoslav Communists were so certain of being in possession of the absolute truth that they did not hesitate to jockey for power from the very beginning of the struggle against the occupying German and Italian armies. Thus in Slovenia, they issued a decree, at the end of 1941, to the effect that anybody fighting the enemy outside the Communist dominated Liberation Front would be considered a traitor and liquidated. Many a non-Communist resistant was driven into collaboration by the resulting pressure.

Simultaneously the Communists, whose number was twelve thousand at the beginning of hostilities, persistently denied any intention of introducing "social changes" after the war and kept promising free elections and everything that goes with them. Yugoslavia being a country of small landowners, the main field for recruitment of the partisan detachments was the peasantry, which made it expedient for the Communists to underline the advantages individual peasants would obtain should the Communist rule be established. They promised the peasants more land, although nobody knew where more land was to

come from, as the entire arable area was under cultivation and the share of big estates was negligible. The Communist flirtation with the peasants led some foreign observers into believing that they were agrarian revolutionaries.

In order to obtain Allied recognition, Tito, who had emerged as the leader of the National Liberation movement, concluded an agreement with the exiled Yugoslav government in London after repeated interventions by the leading Allied personalities on both sides. This agreement guaranteed all sorts of democratic liberties for the population, politicians, and the democratic parties. Yet when the war was over, Yugoslavia found itself firmly under the control of the Liberation Army, officered mainly by Communists, and of the political police, an exclusively Communist domain. The letter of the agreement with the London Government may have been sometimes abided by, but the spirit certainly never was.

During 1945 and 1946 hardly any reforms were introduced; the time was spent on tracking down "collaborators" and bringing them to justice, but the definition of "collaboration" was so wide that practically anybody, patriot or no patriot, whom the Communists did not like could be fitted in. If somebody could not, there was always the possibility of trumped up charges.

Ljubo Sirc is Reader in Economics at the University of Glasgow, and a native of Yugoslavia. He is author of a study in economic planning for the Institute of Economic Affairs, London.

In addition, many people were killed without any trial at all. Although the Nazi rule in Yugoslavia was extremely ruthless, the Germans are quite right in pointing out that a large part of the over 1.5 million Yugoslav war victims were due to internal strife; and a substantial number of these were liquidated by the Communists, sometimes for good reason, sometimes only in preparation for the final take-over. The massacre continued after the war when some 300,000 people were done away with; the prisons overflowed and many people, mainly members of the German minority in Yugoslavia, were driven over the border to Austria. There was sufficient horror around to terrorize the population into silent submission.

A person must be utterly convinced of the correctness of his cause to take upon himself this destruction of human life and this infliction of suffering to establish himself firmly in the saddle. Even if one accepts the possibility of such firm conviction—and many Communists must have been convinced that they were up to something remarkable—there is still something pathological about it.

In the eyes of the Yugoslav Communists, Stalin was the depository of all wisdom and knowledge of how to abolish all evils and human failings. They had some difficulties with him, but this was because the Yugoslavs were too zealous to tolerate Stalin's cautiousness. His aim was to make the Western Allies believe that he had turned into a Russian nationalist, and then to take them by surprise when they least expected it. Stalin was afraid that the Yugoslavs would spoil his game by their zeal and even advised them to pose as monarchists.

The obvious thing for the Yugoslav admirers of Stalin to do was to take a leaf out of the Soviet book, which they did. In the spring of 1947, they produced a Five Year Plan which was closely modeled on the Soviet plan, although the two countries could hardly be more different than they are. The Soviet Union possesses a vast territory and has a population at least ten times larger than Yugoslavia. The traditional economic freedom of peasants in Yugoslavia goes partly back to the Austrian Emperor

Joseph II in the second half of the eighteenth century, and in other parts to the liberation from the Turks, while in Russia the feudal relations lingered almost into the twentieth century. The individual character of Yugoslav agriculture was further strengthened by a land reform after the first World War.

In spite of these substantial differences between the two countries, the Yugoslav Communists applied the Soviet methods of economic development, possibly pushing them to the extreme, so that the French Professor Marczewski went on record as remarking on the planned rate of growth of the Yugoslav national income:

In fact, in the long term the average rate of growth proposed for the national income seems impossible to achieve. Until now the highest rates of growth in the economic history of the world have never surpassed 8 per cent. . . . It is impossible to explain these figures except by the complete lack of experience of the Yugoslav planners who appear to have copied Soviet rates without understanding what they really meant.¹

THE SYSTEM TAKEN over from the Soviets tended to rigidity and uniformity because it did not know any of the economic and accounting calculations which help the entrepreneur at least approximately adjust to circumstances and thus contribute to the maximization of welfare. Yugoslav planning was based on a few very simple tenets.

The central principle was, naturally, the abolition of private property, from which according to Marx every evil stems. His reason for this is the theory of surplus value, the part of the product allotted to capital owners. Following the labor theory of value, all charges for the use of producer goods were disregarded except for a purely nominal interest rate on short-term bank credits.

The only criterion used for the allocation of capital and other resources was the teaching of Marxist dialectical ma-

¹J. Marczewski, *Planification et Croissance économique des démocraties populaires* (Paris: Presses Universitaires, 1956), p. 134.

TWO DECADES OF ECONOMIC PLANNING IN YUGOSLAVIA

terialism that the means of production determine productive relations, which means the social system. Their conclusion was that the most modern equipment should be used, because this would help the introduction of "socialism" as a stage on the way to full "communism." The choice of technique was not adapted to circumstances, and, as in the Soviet Union, it was thought and planned that manufacturing had to prevail over other branches of the economy, particularly agriculture; within manufacturing industry by far the greatest stress had to be on the production of producer goods and power; and within this framework the leading link was machine building. Even the disparaged market indicators were harnessed in the interest of this policy. The fixed prices of raw materials and capital goods were kept very low, and the prices of consumer goods very high. Yet since no distortion of prices could make possible a shift in the direction of the economy exactly as desired by the Communists, the market forces were considered as "anarchy" fed by "spontaneity," and soon completely disregarded and replaced by planning—the "conscious direction of extended reproduction." At the same time, the fact that people value present things more than future things, that food today is more important than a television set ten years hence, was neglected, which led to the adoption of a practically unlimited planning horizon, to the idea that even the most important present needs can be sacrificed to the "luminous future."

The collective satisfaction of needs was considered much preferable to individual consumption, so that most "distribution" tended to be organized by the state. Distribution, however, was considered "non-productive" anyway and neglected, so that often even available goods did not reach the public.

Before this system copied from the Soviet Union could get underway, Stalin found that Tito had become too big for his shoes and decided to cut him down to size. In a way, the Yugoslav Communists were more Stalinist than Stalin and several times tried to jump the gun, act in advance of the time table carefully worked out by Stalin to take the

West by surprise and gain full control of Eastern Europe. Stalin thought that this would not do and was in addition jealous of Tito, who succeeded in making a name for himself in Yugoslavia and in the world, so he did not entirely depend on Stalin's reflected glory. Soon there was a complete rift with which ideology had very little if anything to do.

One of the proofs for this explanation is that the first reaction of the Yugoslavs was an attempt to prove that they were good Communists. They clamped down on their bourgeoisie and dragged more people to prison and administrative forced labor camps. A fully fledged collectivization campaign was started and agriculture utterly disrupted. When it proved that it was impossible to fulfill the Five Year Plan of 1947, the priorities provided for in this Plan were brought into play, carrying further the initial lopsidedness. Inessential investment, i.e., investment in consumer goods production was dropped, and the concentration on heavy industry stepped up. To make things worse, even depreciation was not used for the replacement of worn-out equipment, but was channelled into new industries, so that many branches, especially agriculture, textiles, and housing, suffered from disinvestment. In other words, the branches most essential for supplying the population with necessities were run down in order to provide means for the completion of the Giants of the Five Year Plan. Table I shows the intended and the actual structure of "productive" investment.

Thus many more resources were concentrated on manufacturing industry in the period 1950-56 than originally planned, although the first Five Year Plan was underfulfilled in all other respects. In fact, it had to be extended for another year, to 1952, and from then economic activity was carried on until the end of 1956 on the basis of provisional one-year plans—due to the fact that the entire basis of planning began to be questioned. Nevertheless, the belief that the concentration on "key projects" would solve all problems persisted in spite of all the other changes described below. From 1947 until 1956, the investment in "basic" industries (iron and non-

NEW INDIVIDUALIST REVIEW

ferrous metallurgy, machine tools, ship-building, electrical appliances, and construction materials) amounted to 51.2 per cent of industrial investment and reached its peak in 1952 with 57.3 per cent. To this 31 per cent invested in power production has to be added.

A change came about only in 1957, when the second Five Year Plan was introduced with the aim of "eliminating the disproportions [shortages and bottlenecks] arising from the policy of industrialization and forced expansion of

cal targets, laid down in detail by the centralized plan, led to a much worse confusion and anarchy than had ever been seen under the working of spontaneous market forces. The search started for simplified indicators which would make the functioning of the factories coherent and would also give some scope for the workers' administration. Marxism, however, proved a tremendous stumbling block in this respect. The wish was to introduce some kind of "automatism," or invisible hand, by which well

TABLE 1

ALLOCATION OF TOTAL INVESTMENT

Period	Industry	Agriculture	Forestry	Construction	Transport	Trade
1947/49	50.3	8.4	3.2	3.7	28.9	4.9
1950/52	64.3	5.6	1.2	3.7	22.4	2.4
1953/56	58.7	6.4	1.7	3.3	23.7	4.9
1957/59	43.3	17.3	1.7	3.6	26.1	8.5
1960/62	50.9	14.3	1.8	3.3	21.2	8.7
1963/65	54.4	12.6	1.9	3.5	17.6	9.0
Plan for 1947/51	51.8	8.6	1.6	1.6	31.0	3.5

heavy industry."² In this period the concentration of investment in industry was reduced to just over 40 per cent, of which only 31 per cent went into "basic" branches.

WHEN THE YUGOSLAV Communists finally admitted in 1950 that Stalin was directly involved here, and not some obscure Soviet officials who misinformed Stalin about the real state of affairs in Yugoslavia, they also embarked on the first deviation from the Soviet orthodoxy. They abandoned—at least in theory—the principle of "*odinanachalie*," of the absolute control by the government appointed factory manager, and introduced workers' councils.

Yet they also began to realize that the running of factories according to physi-

managed factories would be rewarded and badly managed works punished. It became obvious that it did matter how much capital was used by an enterprise and that therefore there had to be some kind of charge on the use of capital; but this could not be the interest rate, because it was deemed to be un-Marxist.

Ten years later, the same problem arose in the Soviet Union, when Liberman's proposals to introduce a profit rate were aired. From many quarters they were assailed and it was claimed³ that in a Marxist country there could be no serious consideration of using a percentage charge on capital—profit rate—but that a percentage charge on wages fund—a "surplus" rate—was the only possible solution. Such a surplus rate was introduced in Yugoslavia in 1952 under the name of "the rate of accumulation."

² Savka Dabcevic-Kucar, "Decentralized Socialist Planning: Yugoslavia," in Hagen, ed., *Planning Economic Development* (Homewood, Ill.: Irwin, 1965).

³ E.g., A. Bachurin and A. Pervukhin, "K voprosu o pribyli pri socializme," ["On the Question of Profits in Socialism"], *Voprosy ekonomiki*, September 1963.

TWO DECADES OF ECONOMIC PLANNING IN YUGOSLAVIA

This rate not surprisingly proved to be unworkable and was replaced after a year of confusion, in 1954, by the interest rate. Thus the first of the basic Marxist principles which should have brought Yugoslavia unprecedented prosperity went overboard, under the impact of the requirements of economic efficiency. Of course, the interest rate did not and still does not work properly in Yugoslavia, but the need for a scarcity charge on capital was at least recognized.

The introduction of the "automatism" also called for commodity prices based on supply and demand, but those in charge still believed that manipulated prices could influence actual economic relations in desired directions, and therefore decided to keep the prices of raw materials and agricultural goods down. In fact the agricultural prices were so low that they depressed the real earnings of peasants from sales of their produce in 1952 on average to 42 per cent of their pre-war earnings. On top of this, there came very high direct taxes.

The passive resistance of the peasants, however, forced the Communists to stop their campaign for agricultural collectivization by direct and indirect pressure, initiated in 1948, and to allow them to pull out of government-sponsored cooperatives, which they almost all did. For a few years the peasants were left alone, which led to a considerable improvement in agricultural production as compared with the disastrous year 1952, when agricultural production was lower by about one-third than in the late 1930's.

After the introduction of interest rates, the intention was to allocate the capital to those offering the highest return at capital auctions, but this soon proved unacceptable. The expected return on capital invested in heavy industries was so low that investment into these branches would remain well under that desired by the government. Therefore, auctions between industries were abandoned and limited to auctions within the same branch, while the allocation between branches was according to the provisional yearly plans, and later to the Five Year 1957-61 Plan which however provided, as mentioned, for a much more sensible distribution between consumer

goods and producer goods and thus led to a considerable increase in consumption from the very low level of 1952, when consumption, total and per capita, might have been down by as much as one-third of the pre-war consumption. In fact, during this relaxation in 1957-58, total consumption probably caught up with what it was before the war.

But while consumption improved, the key projects worked at low capacities, which made the Communists think that there must be something wrong even with the very halfhearted application of market indicators. Since they could no longer make up their minds to scrap the market altogether, they found the ingenious solution that the market was all right for day to day decisions, but "the fundamental economic development could not be spontaneous, but had to be based on the conscious social process of reproduction by planned direction." And the third Five Year Plan of 1961-65 was designed for "further accelerated economic expansion on the basis of a more balanced growth."

As a result fixed investment in basic industries, which was reduced to 13 per cent of "productive investment" in 1958 from 37 per cent in 1952, went up again to 29 per cent in 1961-62. Total fixed industrial investment jumped from 42 in 1959 to 52 in 1961 at the expense of agricultural investment, down from 21 per cent in 1959 to 15 per cent in 1961, and investment in transport, down from 24 per cent in 1959 (28 in 1957) to 16 per cent in 1962 (17 in 1963).

THIS REVERSAL TO Marxist-Leninist investment policy resulted in the economic crises of 1962 and 1965, marked by stepped up production of unsaleable goods, increase in foreign debt, and inflation. One is entitled to wonder how it was possible to revert to the old pattern of investment in spite of the fact that market forces had made themselves increasingly felt since 1952. The answer is that investment allocation remained concentrated in the hands of various federal and other investment funds (in 1964, 68 per cent of total fixed investment) which obeyed Plans and political

NEW INDIVIDUALIST REVIEW

criteria instead of economic indicators, and that the rest was mainly re-investment. In addition, old habits were at work—anything metallic was still considered to bring prestige—and the interest rates were still pegged too low, particularly in view of the inflation, to force investors to be selective and choose the most efficient projects.

The result of these attempts in the 1960's for achieving accelerated growth by renewed concentration on equipment production led to more increases in inventories (see Table 2) and to the establishment of more capacities never to be used.

Such wasteful factories would have to go out of business if their inventory keeping were not financed by a constant flow of bank credit. This credit cannot be repaid, of course, because the inventories are never sold, which all leads to inflation (taking the form of considerable increases in money supply if not always of rising prices, since these are largely controlled and were completely frozen in the spring of 1965). From 1956 to 1964, the volume of production (including waste) rose 2.2 times and the money supply 4.7 times, from 553 billion to 2,577 billion dinars, to which another 1344 billion dinars have to be added, al-

TABLE 2
INVENTORY INCREASES AND RATES OF GROWTH

Year	Inventory Increases (percentage of national income)	Annual rates of growth	
		Industrial Production	Capital Goods Production
1958	9.0	11.0	13.0
1959	11.1	13.0	17.0
1960	11.0	15.0	20.0
1961	8.8	7.0	4.0
1962	6.3	7.0	1.0
1963	8.9	16.0	15.0
1964	13.0	16.0	19.0
1965	14.6	8.0	N. A.

The figures on inventory increases in Table 2 are from the OECD report on Yugoslavia in 1965, with the exception of the figures for 1964 and 1965 which come from official Yugoslav abstracts which in 1964 admitted, for the first time, a substantial "difference" defined as "a result of opposite fluctuations [including changes in prices, customs duties, inventories, period delimitations, statistical coverage, etc.]. Clearly, "inventories" tucked away amongst other items account for the predominant part of this "difference." There are no corresponding figures for new capacities established but never used, but it is allowable to estimate that in the years of higher growth of industrial production about one-third of this production will never satisfy any human needs at all. (In 1965 "increases in stocks" was finally introduced as a separate item in the national income accounts.)

though the enterprises, public bodies, and individuals holding them are restricted in their use. As a consequence, the purchasing power of the dinar in terms of living costs was reduced to 3.8 per cent of its pre-war purchasing power, although the normal pre-war circulation of banknotes (6 billion dinars) was restored in 1945.

The OECD report of 1965 advocated an incomes policy for Yugoslavia because the OECD experts believed they had traced the origin of Yugoslav inflation primarily to incomes and not to the financing of increasing stocks of unusable products. Yet, in spite of more freedom for profit distribution, if any is made, within the enterprise it is hard to believe that the Communist League had so lost its grip over the workers administration that they could not stop any unwarranted increase in incomes. On the other hand, there would often be

Page Twenty-eight

TWO DECADES OF ECONOMIC PLANNING IN YUGOSLAVIA

no money to distribute, were the banks not prepared to finance increasing stocks of inventories. The OECD also stressed that there was no deficit budgeting on current account; but deficit budgeting on capital account is no better, especially in Yugoslavia where investment frequently produces no fruit at all.

As a result of this strange kind of economic development, Yugoslavia kept sucking in large quantities of foreign resources, which had to tide her over bottlenecks in the heavy industries, production of primary goods, and food production. From 1952 to 1962 it had been receiving American aid to the tune of about \$100 million a year. Besides, it contracted foreign debts amounting to \$800 to \$1000 million by 1962 and to \$1400 million by 1965. For obvious reasons this could not continue forever. For this reason, the dinar was devalued from 50 to 300 dinars to the dollar in 1952, to 750 in 1962, and to 1250 in 1965. Because of various duties and subsidies and of tying imports to exports, these moves in the exchange rate do not influence foreign trade directly; but they are a reflection of the dinar's loss of purchasing power.

Another lapse back from the more liberal policies of the mid-1950's was an attempt to win the fight against private peasants by starving them of any investment, which began to be concentrated on the 15 per cent of the agricultural area owned by "social estates." The only result here was that the law of diminishing returns set in, and the products of the "estates" cost twice as much as the products of private peasants. Furthermore, the "estates" worked at losses in spite of various bonuses paid to them.

THE CRISIS INTO which the Yugoslav economy ran in 1962 and again in 1965 posed once more the classic question of the proper economic role of planning and the market. The crisis of 1962 was so clearly engineered by the Plan providing for high investment in "basic" industries that President Tito called for "better planning." There was even talk about scrapping the Plan altogether, which did not happen, but the confidence in the Plan fell so much that it was no

longer considered a particularly useful guide for anybody.

Waterston described the equivocal situation in 1962:

... the federal plan no longer lays down production quotas for enterprises. This does not mean, however, contend the planners that the federal plan has become only a hypothesis of the future development of the economy, for the overall targets of the economy as shown in the federal plan, are still legally binding. Nevertheless, the practical significance of this position is hard to understand, since no person or enterprise is held legally accountable for fulfilling any target of the federal plans.⁴

The reforms as envisaged after the 1962 crisis were not carried through because the Communists shrank back from laying large portions of industry idle and relaxing more controls. The result was another crisis in 1965, which shook the planning even further.

The European Economic Commission Report on Planning published in 1965 says—obviously on the basis of a Yugoslav official submission—that, in Yugoslavia, the enterprises enjoy:

complete independence of action [and that they] use plans as indications of expected changes in demand ... in so far as they prove to be correct forecasts of the market situation—though they can follow their own market research if they consider that to be more accurate."⁵

This is apparently the end of all claims that plans possess extraordinary virtues. It is intended now to drop annual plans altogether and to decentralize investment in the hands of enterprises. A new mid-term plan is being worked out, but there are already voices which warn against "planning burdened with high growth rates."⁶ In 1962 an official spokesman thought that it was better "doing less but doing it better."

⁴ A. Waterson, *Planning in Yugoslavia* (Baltimore: The Economic Development Institute, IBRD, 1962), p. 39.

⁵ United Nations, Economic Commission for Europe, *Economic Survey of Europe in 1962* (Geneva, 1962), part 2, *Economic Planning in Europe*.

⁶ *Ekonomski politika*, March 5, 1966.

NEW INDIVIDUALIST REVIEW

One of the goals the Communists set out to accomplish was the equalization of the economic development of various Yugoslav regions, which were and continue to be very differently developed. Slovenia has almost three times the national income per capita of Macedonia, Bosnia, or Montenegro (see Table 3).

TABLE 3
NATIONAL INCOME BY REGION

Region	Nat'l Income per capita	Average Wages
Serbia.	90	93
Croatia.	120	104
Slovenia.	195	130
Bosnia-Herz. . .	71	94
Macedonia. . . .	69	86
Montenegro . . .	73	91

(Average wage-level nationwide = 100)

The equalization should have been brought about by considerable transfers of accumulated capital from some regions to others. Table 4 is an indication of what was happening.

The table shows that in spite of the substantial shifts of capital from more developed regions to less developed, there was hardly any change in the shares of various regions in the social product. This is understandable, since production does not depend only—or even foremostly—on the availability of capital. Substantial parts of the national income of Slovenia and of the more developed parts of Croatia and Serbia were withdrawn and allotted to less developed Southeastern regions. There was hardly any proportionate economic progress in the subsidized regions, however, which increased the resentment in the parts of the country which had to supply the subsidies. There is talk now of reducing the transfers to only 2 or 3 per cent of the national income.⁷

Such large-scale transfers of resources are possible only under a regime which controls—through various budgets and funds—about one half of the national income. Under normal circumstances there

would be transfers from region to region—although much smaller—in the form of private investment which would remain the property of people from the transferring region and would be more properly managed.

The yearly rate of growth of the total Yugoslav national income from 1947 to 1962 was 6.6 per cent, and of the national income per capita 5.4 per cent. This is less than in the cases of Greece, Italy, and Western Germany, but the picture becomes worse if it is taken into account that in these countries personal consumption rose in step with the national income, while in Yugoslavia it was badly lagging behind. Before the war, in Yugoslavia at least 75 per cent of the national income was consumed; after the war the personal consumption (including social insurance benefits) fell to 50 per cent of the national income: from 1947 to 1962 total output increased by 132 per cent over the pre-war level, but consumption by only about 66 per cent. This gives a compound annual rate of the growth in total consumption of 3.4 per cent and of the consumption per capita of 2.2 per cent.

This is particularly bad in view of the enormous efforts: Investment regularly amounted to about 30 per cent of the national income. However, the capital-output ratio was very bad for a country at the Yugoslav stage of development, amounting to 6.5/1 for the period 1948-1964. In 1948-1952 it was 10/1, then it fell to 3/1 in the comparatively relaxed period from 1956-1960, but again climbed to 8/1 in the subsequent period up to 1964, when a new Marxist-Leninist investment drive was started. The Communists themselves admit this to be very bad and discuss the possibility of a capital-output ratio of 2.5/1 in the future.

The welfare of the Yugoslav population was sacrificed to investment and to government expenditure which very often did not contribute to welfare at all, but was used for public ostentation. The investment was in branches of industry for which the Yugoslav market is too small, for which there are not enough raw materials and other cooperating factors, and which produce at cost

⁷ *The Times* (London), June 14, 1966.

TWO DECADES OF ECONOMIC PLANNING IN YUGOSLAVIA

far above the world market price.⁸ Thus many of the new industries work at low capacities (e.g., machine tools at below 60 per cent) although they turn out unsaleable goods (according to the Vice-Chairman of the central government, Gligorov, the value of inventories in 1967 was about 80 per cent of the national income, while 20 to 30 per cent is more consistent with experience in market economies. It cannot even be hoped that these new branches will contribute to the welfare of the population later on. They are obsolete and badly organized.

WHAT WAS WRONG? The Communist economic ideology, as explained at the beginning of this article, led the Yugoslav government to embark on

missed. About 10 per cent of the industrial labor force was unemployed, and about as many had to leave to work abroad. This latter development was particularly grave for Communists who had always represented migration as a consequence of capitalist incompetence.

The most advanced and capital-intensive techniques were used, while there was a shortage of capital and highly skilled labor and unskilled labor was available in abundance. Thus the equipment produced is even today so expensive that it is often cheaper to do things by hand, not to speak of the cheapness of imported equipment.

There is such a discrepancy between supply and demand, particularly of producer goods, that the economy can only run at tolerable utilization of capacity if large-scale investment continues to be

923

TABLE 4

REGIONAL PRODUCTION AND CAPITAL TRANSFERS

Region	Percentage of Fixed Capital		Percentage of Nat'l Income	
	1947	1960	1947	1960
Serbia	31.5	36.3	42.8	38.0
Croatia	(58.2)	(41.7)	26.0	26.0
Slovenia			14.2	15.7
Bosnia-Herz.	6.1	15.8	11.5	13.4
Macedonia	3.4	4.1	5.0	5.0
Montenegro	0.8	2.1	1.2	1.4

large-scale investment in branches of industry for which there was not sufficient management talent or technical skill. The Yugoslav technicians managed to produce complicated machinery, but not at a cost comparable with costs in other countries.

The production of some kinds of machines was pushed at full speed, while other machines needed in conjunction with them or raw materials and intermediate products were disregarded because they were technically less glamorous. Large numbers of unskilled workers were available, but the investment was not adapted to them. When streamlining began, numerous workers had to be dis-

carried through, to the obvious danger of more capacity being created which it will be difficult to utilize. This circular investment has been indulged in until now; but at present the futility of this practice seems to be fully realized, because it has become clear that the capital structure of productive capacity is completely divorced from both the derived demand for producer goods and the final demand for consumer goods. Very large quantities of resources are used, but this results in very little welfare.

In many ways it is much easier to start from scratch than to put right a structure completely distorted by investment which bears no relation to actual demand. To make matters worse, the system has for such a long time favored passive obedience that it is now

⁸ See Karlo Buhman, "Industry in the New Economic Conditions," *Review of International Affairs* (Belgrade), October 5, 1965.

very difficult to change the attitudes of the population and prod people into being resourceful and prepared to take responsibility. The will of the Yugoslav population to work and to show initiative was also shattered by the fact that personal incomes and personal consumption were exceedingly low when compared with the efforts which were demanded from them, particularly when the resulting public and investment funds seemed clearly to be largely wasted.

The Communist government has come to realize this and now says that increased personal incomes and personal consumption are a *sine qua non* for further increases in production; but this is very difficult to achieve when the economy is as distorted as all Communist economies are. When Malenkov tried to step up consumer goods production in the Soviet Union in 1954, this proved impossible because of the lack of raw materials and appropriate machinery.⁹ There, as in Yugoslavia, the development of heavy industry proved to bear no relation to the actual needs of the country and to be largely "*l'art pour l'art*."

THE YUGOSLAV REFORM in 1965 should have remedied this situation by substantially cutting down on investment and by sharply reducing government expenditure. This was easier said than done, because it meant a further reduction in the already low utilization of heavy industry capacities, the laying idle of many prestige works, and the dismissal of large numbers of workers. These workers should in fact have been made available for the production of badly needed consumer goods, but who was to organize their production and where were the equipment and raw materials to come from? The planners had not kept in mind in the previous decades that machine tool manufacture has ultimately to provide specific machines for specific purposes and not just large numbers of machines. When the Yugoslav government decreed that henceforward investment would have to be

"profitable" and not "political" it meant precisely that it had to result in equipment needed for the production of consumer goods which are in demand and should not merely swell production by whatever it happened to turn out.

Even if the Yugoslav heavy industry today produces the right type of equipment, it is still often not at the right price or of the right quality. This could be corrected by opening the borders and exposing Yugoslav producers to the competition of foreign products; but since the Yugoslav productivity in the prestige industries preferred by the Communist planners is so low that they had no hope of competing at the previous exchange rate, this was changed by 66 per cent to protect domestic producers from the same competition Yugoslavia invited. Since there was also a shortage of raw materials, it was decided to increase their prices to make their production more attractive and force enterprises to use them with greater care and economy. The agrarian prices were raised by 32 per cent, coal prices by 36 per cent, etc. This has led to major price adjustments: the cost of living rose by 30 to 50 per cent, according to region, and even by 70 per cent in some cities. All this has led to a new inflationary round, by which, it is considered, the devaluation of 1965 has been rendered useless.

This is not the main problem at the moment, however. While cuts in investment, reductions in government expenditure, opening of the borders, and readjustment of prices were certainly moves in the right direction, the question remains: Who is going to run the Yugoslav economy, who is going to be the moving spirit behind it? Up until now the Communists have relied on the central planners, but now it turns out that they are unable to coordinate and control the economy. The present answer seems to be decentralization of investment and current decision-making in the hands of workers' councils. Is this going to work? For at least a decade, Yugoslav authors have been stressing that economic responsibility has to be reintroduced if the economy is to start working properly again. Lack of responsibility was one of the main criticisms against central plan-

⁹ S. P. Pervushin, *Production, Accumulation, Consumption* (Moscow, 1965), p. 33. Quoted in the *Neue Zürcher Zeitung*, March 13, 1966.

TWO DECADES OF ECONOMIC PLANNING IN YUGOSLAVIA

ning. What is the likelihood that this criticism will be met by the new decentralized system?

It would seem that the link between a worker and his enterprise is insufficient to expect any responsibility. The worst that can happen to an irresponsible worker is that the factory might close down and the worker have to find a new post, where he would obtain the same guaranteed income as before. On the other hand, if the enterprise worked particularly well, workers would be paid higher wages out of profits. However, substantial disparities between wages of equally skilled workers were normally felt to be an injustice, so that in Yugoslavia constant attempts had to be made at "equalizing the business conditions," that is eliminating the influences of market changes and technological choices on profit. What then becomes of entrepreneurial functions? Further, workers feel that they cannot be responsible for the original decision of founding an enterprise (which cannot be made by the workers' council) that does not possess any potential for profitability, or for the current decisions which they cannot understand. There must be many of such latter decisions, because of those employed in the economy 7.1 per cent have no education at all and about 50 per cent have only four or fewer years of school.

In view of this still troubled situation, there are voices that it would be better to revert to "enlightened state-appointed management" than to rely entirely on workers' councils. It is unlikely that this would take the country very far, because the men who are presently called managers are appointed on the basis of political instead of economic criteria, and their education is bad—25 per cent have only a primary school education.

It is hard to imagine how any progress can be achieved in the market economy without falling back on private initiative—enterprises directed by those who can make them work at a profit—at least in agriculture and small-scale industrial and artisan establishments. Something on these lines seems to be happening in Yugoslavia, although very slowly and tentatively. The larger enterprises can

hardly be saved without large-scale technical, commercial, and financial cooperation from abroad.

In 1967, investment in fixed capital has been reduced and national income and industrial production have been stagnating. Stocks of finished goods keep increasing, but, because of a credit squeeze, they have to be financed from capital accumulations intended for new fixed investment. The impression is that, without solving the question of economic responsibility and initiative, necessary structural changes will not take place.

After twenty years, it has become abundantly clear that the economic principles introduced by the Yugoslav Communists in the late 1940's did not lead to unprecedented growth but to utter confusion and waste. One is told that the advantages of "private ownership of the means of production" are being widely discussed in the Yugoslav Communist circles. This amazing development amounts to a complete reversal of the original Marxist teaching, in the name of which the Communists felt entitled to impose suffering on the population and suppress all liberties.

After a full circle has been thus concluded, disillusionment and disgust prevail in Yugoslavia among the youth, as exemplified in a letter addressed "To you, our fathers" and published in the students' weekly of Ljubljana:

I believed in what we then called "our glorious past." I believed in what we called "searching" or "the present" and what we called "our future." Today, I no longer believe in all this. I do not believe in the society which by force we want to call socialist. I do not demand answers to my questions, but I do demand the right to find them myself and to be allowed to stick to them. This is all.¹⁰

It turned out that freedom of thought and freedom of speech are not an impediment to economic progress, but rather a necessity if economic policy reminiscent more of black magic than of a rational approach is to be prevented.

¹⁰ *Studentska Tribuna* (Ljubljana), March 9, 1966.

Marxism and Alienation

DAVID LEVY

926

NOT TOO MANY YEARS ago there was no Marxist challenge to the rationale for a market system which deserved to be taken seriously; Mises and friends did their work so well that advanced Western socialists adopted the market as their own, and even communists learned the glories of directing resource allocation by an Invisible Hand. Much has changed; a streamlined form of Marxism has returned to present the market with a most formidable challenge. The thesis, which we shall call the alienation argument, that the market's operation systematically forces workers to participate in a psychologically damaging method of production, is widely pressed by a number of well known social thinkers,¹ a surprisingly large number to judge their influence from the almost nonexistent counter attacks. The major deterrent to hostile examination of this challenge must be the patent absurdity to which the conclusions can be pushed. That the subject matter of the challenges seems to fall within disciplines which are not overly concerned with a study of the workings of the market system has also not helped stimulate debate.

Interest in alienation arose with the discovery and gradual translation of an earlier and previously unknown body of Marx's writings which can justify the creation of a greatly different Marxism:

David Levy is an Associate Editor of *New Individualist Review*. He received his B.A. in Economics from the University of California at Berkeley in 1966, and is currently doing graduate work at the University of Chicago.

Page Thirty-four

both more liberal and not chargeable for unfulfilled predictions and internal contradictions. The tale of this growing discussion and the application of his ideas has been told many times in readily available form.²

The proponents of the alienation argument contend that a market system with an advanced form of the division of labor wreaks psychological havoc on workers. Although the philosophy of alienation can be linked with the theory that man is alienated whenever he works for income rather than for the sake of the work itself,³ we shall only deal with a more relevant version which contends that the division of labor by its infinite specialization imposes *costs* on the workers. Or, as Marx writes in *Capital*:

manufacture . . . seizes labour-power by its very roots. It converts the labourer into a crippled monstrosity, by forcing his detail dexterity at the

¹ Eric Fromm, *Marx's Concept of Man* (New York: Frederick Unger, 1961), pp. 43-58; Robert Tucker, *Philosophy and Myth in Karl Marx* (Cambridge: Cambridge University Press, 1961), pp. 234-43; Daniel Bell, *End of Ideology* (New York: Free Press, 1960), pp. 335-68.

² Fromm, *op. cit.*, pp. 1-3, 69-74; Dirk J. Struik, "Introduction" to Karl Marx, *Economic and Philosophical Manuscripts* (New York: International Publishers, 1964), pp. 47-56. Attention cannot be too often directed to Lukacs' stupendous feat; the prediction of the content of the early Marxian manuscripts prior to their discovery, and to the service of scholarship performed when the masters of the Soviet Union convinced him of the error of his ways and brought him back to the light. Bell, *op. cit.*, pp. 343-44.

³ Marx, *op. cit.*, pp. 110-11.

MARXISM AND ALIENATION

expense of a world of productive capabilities and instincts. . . .⁴

Or, from a non-Marxist vantage, Daniel Bell argues:

The most characteristic fact about the American factory worker today—and probably the worker in factories in other countries as well—is his lack of interest in work. Few individuals think of “the job” as a place to seek any fulfilment. There is quite often the camaraderie of the shop, the joking, gossip, and politicking of group life. But *work* itself, the daily tasks which the individual is called upon to perform, lacks any real challenge, and is seen only as an irksome chore to be shirked, or to be finished as fast as possible.⁵

Our analysis will proceed by a roundabout historical method: we will examine the alienation argument as it was developed in *Capital* to clear up some muddled interpretations of Marx's ideas and then we will give some examples of a related discussion in classical economic literature. By reformulating the alienation argument to meet one of the few detailed criticisms, we can easily see a failure which is so fundamental that no reformulation can make it stand as a viable non-ascetic criticism of a functioning market system. Those interested neither in an examination of the later Marxian system nor a glance at a bit of economic intellectual history are invited or warned to skip the next two sections.

WE WILL NOT GO INTO a detailed examination of the early body of Marx's thought, for there are no conflicting interpretations in which we will be interested. There are, however, two dominant interpretations of Marx's thoughts on alienation in *Capital*. Eric Fromm and others⁶ argue against the older “exploitation” reading, according to which Marx's denunciation of capitalism depends on his theory that the worker is paid less

than his value; they stress that alienation is the dominant idea in Marx's published economic writings as well as in the earlier unpublished ones. Bell and others⁷ defend the classical view and argue that in *Capital* problems of alienation are forgotten, or as Bell says, relegated to literary references and treated only as a problem of technology to be solved by automation.

The critical point to remember while reading Marx is the importance of technology in his system. It is changing technology which brings about changes in the social order, the division of labor, and through its influence on the division of labor, to alienation in capitalism.

The first conception of the division of labor which Marx considers is co-operation, where work differs from a purely atomistic variety largely in that workers are side by side. Although this form of organization requires a mass of capital, the lack of highly developed tools or machines implies that individuals do not specialize in production:

Simple co-operation is always the prevailing form, in those branches of production in which capital operates on a large scale, and division of labour and machinery play but a subordinate part.⁸

Co-operation does not present psychological problems of alienation:

mere social contact begets in most industries an emulation and a stimulation of the animal spirits that heighten the efficiency of each individual workman.⁹

When the labourer co-operates systematically with others, he strips off the fetters of his individuality, and develops the capabilities of his species.¹⁰

The next form of the division of labor, manufacturing, arises

⁴ Bell, *op. cit.*, pp. 335-67; Lewis Feuer, “What is Alienation? The Career of a Concept,” in *Sociology on Trial*, eds. Maurice Stein and Arthur Vidich (Englewood Cliffs, N. J.: Prentice-Hall, 1963), pp. 136-37. Fromm, *op. cit.*, p. 73, cites others.

⁸ Marx, *Capital*, p. 335.

⁹ *Ibid.*, p. 326.

¹⁰ *Ibid.*, p. 329.

⁴ Karl Marx, *Capital* (Moscow: Foreign Languages Publishing House, n.d.), Vol. I, p. 360.

⁵ Bell, *op. cit.*, p. 367.

⁶ Fromm, *op. cit.*, pp. 69-80; Tucker, *op. cit.*, pp. 165-76 (with reservations); Struik, *op. cit.*, pp. 49-56, 234-35 (with different reservations).

NEW INDIVIDUALIST REVIEW

from the union of various independent handicrafts, which become stripped of their independence and specialised to such an extent as to be reduced to mere supplementary partial processes in the production of one particular commodity.¹¹

Or, alternatively

from the co-operation of artificers of one handicraft; it splits up the particular handicraft into its various detail operations, isolating, and making these operations independent of one another up to the point where each becomes the exclusive function of a particular labourer.¹²

Here the influence of technology is clearly emphasized.

928

Manufacture is characterised by the differentiation of the instruments of labour—a differentiation whereby implements of a given sort acquire fixed shapes, adapted to each particular application. . . . The manufacturing period simplifies, improves, and multiplies the implements of labour, by adapting them to the exclusively special functions of each detail labourer. It thus creates at the same time one of the material conditions for the existence of machinery . . .¹³

The result is a “productive mechanism whose parts are human beings.”¹⁴

Here the adverse effects of the division of labor make their unwelcome appearance: “The one-sidedness and the deficiencies of the detail labourer become perfections when he is a part of the collective labourer.”¹⁵ Yet this leads to the further development of a class of the unskilled which

develops a one-sided speciality into a perfection, at the expense of the whole of a man’s working capacity, it also begins to make a speciality of the absence of all development.¹⁶

Marx compares the difference between co-operation and manufacture in a pas-

sage which we have partially quoted before:

While simple co-operation leaves the mode of working by the individual for the most part unchanged, manufacture thoroughly revolutionises it, and seizes labour-power by its very roots. It converts the labourer into a crippled monstrosity, by forcing his detail dexterity at the expense of a world of productive capabilities and instincts. . . .¹⁷

There is yet a final stage in the development of the division of labor, however, as modern industry destroys the technical foundations of the older division of labor:

Modern Industry never looks upon and treats the existing form of a process as final. The technical basis of that industry is therefore revolutionary, while all earlier modes of production were essentially conservative. . . . it is continually causing changes not only in the technical basis of production, but also in the functions of the labourer, and in the social combinations of the labour-process.¹⁸

With the need for mobility caused by modern industry’s creation of an industrial reserve army (in conjunction with the falling rate of profit and the class polarization), the bondage of man to detail work is swept away. Modern industry should

replace [the] detail-worker of to-day, crippled by life-long repetition of one and the same trivial operation, and thus reduced to the mere fragment of a man, by the fully developed individual, fit for a variety of labours, ready to face any change of production.¹⁹

We see therefore that alienation cannot be *Capital’s* chief criticism of capitalism, because in fully developed capitalism, alienation is no longer a problem.

¹¹ *Ibid.*, p. 338.

¹² *Ibid.*

¹³ *Ibid.*, pp. 341-42.

¹⁴ *Ibid.*, p. 338.

¹⁵ *Ibid.*, p. 349.

¹⁶ *Ibid.*, p. 350.

¹⁷ *Ibid.*, p. 360.

¹⁸ *Ibid.*, pp. 486-87.

¹⁹ *Ibid.*, p. 488. Georges Friedmann, *Anatomy of Work* (New York: Free Press, 1962) mistakes this as a picture of the ideal socialist society and fails to see that this is Marx’s picture of the last stage of capitalism.

MARXISM AND ALIENATION

Fromm's reading of Marx is singularly unfortunate; he has ignored the crucial changes in technology. Further, if it were true that Marx is seriously concerned with alienation in *Capital* we would expect the same picture of the ideal state which we find in his earlier writings to emerge. Instead of the utopian version in *German Ideology*:

In communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd or critic.²⁰

we find in *Capital*:

when the working-class comes into power, as inevitably it must, technical instruction, both theoretical and practical, will take its proper place in the working-class schools.²¹

Bell's reading of Marx is closer but he fails to see Marx's detailed treatment of the progress of the division of labor and alienation. Further, alienation does not disappear with automation, but with the creation of interindustry mobility brought about by the industrial reserve army.

A REFINED VERSION of the alienation argument goes back to Adam Smith:²²

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations, fre-

quently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, . . . His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.²³

This is not an isolated point in the *Wealth of Nations* for Smith argues at length that barbaric societies and agricultural occupations are intellectually stimulating and in a similar vein "people of some rank and fortune" don't have the problem of the laboring poor.²⁴

²⁰ Cited in Fromm, *op. cit.*, p. 42.

²¹ Marx, *Capital*, p. 488.

²² Adam Smith, *Lectures on Justice, Police, Revenue and Arms*, ed. Edwin Cannan (New York: Augustus Kelley, 1964), pp. 255-58. If I had known E. G. West's note, "Adam Smith's Two Views of the Division of Labor," *Economica*, XXXI (1964), 23-32, before writing this section, much time would have been spared.

²³ Adam Smith, *Wealth of Nations* (New York: Modern Library, 1937), p. 734. Bell, *op. cit.*, p. 227, refers to this argument with Smith, but does not tie it in with his treatment of alienation. In the sociological literature Hegel is universally credited with inspiring Marx, which indicates I suppose that Stigler's General Incompetence Theorem applies outside of economics also.

²⁴ Smith, *Wealth of Nations*, pp. 127, 735-37.

This argument clearly differs from Marx's in important respects; Smith ignores any implications for the welfare of the workers and worries only about the effect of the division of labor on the worker's ability to be a good citizen. Nonetheless Smith and Marx agree on the central thesis that productive activity is the dominant force shaping the worker's mental state; although Smith is optimistic enough to think that education can remedy the problem.²⁵

Smith's argument is reproduced by J. B. Say:

A man, whose whole life is devoted to the execution of a single operation, will most assuredly acquire the faculty of executing it better and quicker than others; but he will, at the same time, be rendered less fit for every other occupation, corporeal or intellectual; his other faculties will be gradually blunted or extinguished; and the man, as an individual will degenerate in consequence.²⁶

Say's American editor disagrees, and cites Dugald Stewart's argument:

The extensive propagation of light and refinement arising from the influence of the press, aided by the spirit of commerce, seems to be the remedy to be provided by nature against the fatal effects which would otherwise be produced, by the subdivision of labour accompanying the progress of the mechanical arts: nor is any thing wanting to make the remedy effectual, but wise institutions to facilitate general instruction, and to adapt the education of individuals to the stations they are to occupy.²⁷

An interesting critical literature arose in the notes of various editions of the *Wealth of Nations*. McCulloch strongly dissents from Smith's argument in his edition.

As well as asserting that the evidence contradicts the proposition that manufacturing laborers make bad soldiers,²⁸ he argues:

The weaver, and other mechanics of Glasgow, Manchester, Birmingham, etc. possess far more general and useful information than is possessed by the agricultural labourers of any part of the empire. And this is really what a more unprejudiced inquiry into the subject would lead to anticipate. The various occupations in which the husbandman successively engages, their constant liability to be affected by so variable a power as the weather, and the perpetual change in the appearance of the objects which daily meet his eyes, and with which he is conversant, occupy his attention, and render him a stranger to that ennui and desire for adventitious excitement which must ever be felt by those who are constantly engaged in burnishing the point of a pin, or in performing the same endless routine of precisely similar operations. This want of excitement cannot, however, be so cheaply or effectually gratified in any way as it may be by *stimulating*, that is, by cultivating the mental powers. Most workmen have no time for dissipation; and though they had, the wages of labour in old settled and densely peopled countries are too low, and the propensity to save and accumulate too powerful, to permit their generally seeking to divert themselves by indulging in riot and excess. They are thus driven to seek for recreation in mental excitement; and the circumstances under which they are placed afford them every possible facility for gratifying themselves in this manner. By working together in considerable numbers they have what the agriculturists generally want, constant opportunities of discussing every topic of interest or importance; they are thus gradually trained to habits of thinking and reflection; their intellects are sharpened by the collision of conflicting opinions; and a small contribution from each individual enables them to obtain supplies of newspapers and of the cheaper class of periodical publications.²⁹

Thus the worker's job influences his intelligence but in exactly the opposite manner that Smith argues. Further and more importantly, intelligence is stimu-

²⁵ *Ibid.*, pp. 734-35.

²⁶ J. B. Say, *A Treatise on Political Economy* (New York: Augustus Kelley, 1963), p. 98.

²⁷ *Ibid.*, p. 99.

²⁸ Adam Smith, *Wealth of Nations*, ed. John R. McCulloch (Edinburgh: Blac, 1863), pp. 350-51.

²⁹ *Ibid.*, p. 58. We know that Ricardo agreed with McCulloch on this point. *Works and Correspondence of David Ricardo*, ed. Piero Sraffa (Cambridge: Cambridge University Press 1962), Vol. IX, pp. 192-93.

MARXISM AND ALIENATION

lated by social contact and discussion, a point Smith did not make.

Rogers, while not necessarily contradicting Smith's analysis, argues that the evils which Smith denounces are no longer relevant:

The experience of modern society affords a corrective to this sweeping charge. The manufacturing populations of many large towns, among whom the division of labour is carried to the farthest limit conceivable, are honourably distinguished by the energy with which they have furthered the means of local education through the maintenance of mechanics' institutes, libraries, and schools. This machinery of adult education has been generally adopted in many towns, especially in Lancashire and Yorkshire, and there are no persons more alive to the benefits of education than the factory hands of the north-west counties of England. There were other reasons which made such people indifferent to public questions in Smith's days, and in particular the exclusion of the mass of artisans from all political power.³⁰

The Garnier edition defends Smith from McCulloch:

This passage on the moral superiority of the agricultural population relative to the urban working class is one which best illustrates the sincerity and genius of the founder of political economy. . . . McCulloch asserts, in a note, if the agricultural population had ever been intellectually and morally superior to the industrial population, it is not today; he maintains that today the English industrial workers are more intelligent than the farming peasantry. . . . McCulloch is completely refuted by the recent inquiries into the condition of the handloom weavers. The commissioners state that the weavers were formerly an intelligent and moral class, but from poverty they have become brutalized and morally degraded, falling into the condition of the lowest class of the English nation. . . . Therefore Adam Smith is still right today; agricultural work is more favorable to morality, human understanding, and health than mod-

ern industrial work, especially as it is found in England today.³¹

Marshall devotes a considerable discussion to the related problem of industrial boredom: he is interested in the worker's quality of life, and if a more tedious but less tiring work allows pursuit of intellectually stimulating interests outside the job, then there is no social problem, only cause for rejoicing.³² Thus the type of work in which a man is engaged forms only a slight influence in the stimulation of intelligence. Marshall also observes that any truly tedious job will be the easiest to mechanize and hence will most likely disappear.³³

Undoubtedly there is a much greater literature on the subject than I have indicated, both in the studies of the conditions of the poor and perhaps in the theoretical literature of the eighteenth and nineteenth centuries.³⁴ However, one bit of information exists which should settle any interest in priorities. In the introduction to the new edition of Rae's *Life of Adam Smith*, Jacob Viner writes:

³¹ Adam Smith, *Richesses des Nations*, trans. Germain Garnier (Paris: Chez Guillaumin, 1843), pp. 167-68.

³² Alfred Marshall, *Principles of Economics* (Variorum ed.; London: Macmillan, 1961), pp. 261-64.

³³ *Ibid.*

³⁴ See for example Allen Clarke, *The Effects of the Factory System* (London: Grant Richards, 1899), pp. 72-78. I particularly like Clarke's observation, "It may happen, if the factory system continues, that the operatives' heads will, in course of time, shrink to a rudimentary fraction of empty skull, just as man today has at the base of his spinal column the bit of bone which proves that he once sported a simian tail." (p. 73) On the other hand, Whately Cooke Taylor, *Modern Factory System* (London: Kegan Paul, Trench, Trubner & Co., 1891), p. 435, argues: "As a matter of fact, the progress of the factory system has directly resulted in a very wide diffusion of education; nor should its indirect offices be overlooked. The inestimable importance of order and regularity in daily life has been more than once commented on. The influence on intelligence of constant association with others in a common object could not be easily overstated." Taylor was a factory inspector and had no great love for many of the results of the factory system. John A. Hobson, *The Evolution of Modern Capitalism* (London: Walter Scott, 1894), p. 380, argues: "Industry which is purely monotonous, burdensome, uninteresting, uneducative, which contains within itself no elements of enjoyment, cannot be fully compensated by alternate periods of consumption or relaxation."

³⁰ Adam Smith, *Wealth of Nations*, ed. James E. Thorold Rogers (2nd ed.; Oxford, 1880), Vol. II, p. 365.

There is one issue on which Smith and Ferguson cover common ground, as also John Millar, Robert Wallace, and later, after the publication of *The Wealth of Nations*, a host of writers including notably Karl Marx, and that is the proposition that division of labor tends to degrade labor, the "*Entfremdung*" or "alienation" issue. Here Adam Smith has clear claims to priority as far as British writers are concerned, although according to Marx, who was not acquainted with Smith's contributions to the *Edinburgh Review* in 1755, it was Smith who was taught by Ferguson, rather than the other way around. But all of these, except perhaps Marx, were started on this line of thought by a "French author," or at least an author writing in French, Jean Jacques Rousseau, and none of them made a secret of his indebtedness. . . .³⁵

932

IN THE ONE elaborate attack on the alienation argument I know, Nathaniel Branden makes two objections to the theory of alienation which are relevant for our purposes: (i) the division of labor and specialization produces material well-being on which our lives and happiness depend, and (ii) the wages paid to a man are objectively determined by market forces, "the only rational and just principles of exchange."³⁶

These criticisms, however, do not seem to come to grips with at least some of the proponents of the alienation argument. Consider Bell's point:

For the unions to challenge the work process [to help rid the economy of alienation] would require a radical challenge to society as a whole: . . . it is to question the logic of a consumption economy whose prime consideration is lower costs and increasing output. Moreover, how could any single enterprise, in a competitive situation, increase its

costs by reorganizing the flow of work, without falling behind its competitors? But this is not only a failing of "capitalist" society. In the socialist societies, sadly, there have been almost no imaginative attempts to think through the meaning of the work process. . . .

For underdeveloped countries, where living standards are pitifully low, it is difficult to talk of sacrificing production in order to make work more meaningful to the worker. Yet these are not, nor should they be, put in either/or terms. Engineers have learned that if efficiency considerations are pushed too far—if work is broken down into the most minute parts and made completely monotonous—they become self-defeating. The question is always one of "how much." But the question must be stated and placed in the forefront of considerations.³⁷

This argument surely does not involve a denial of the need for a division of labor or indeed of a market process.

To meet Branden's criticisms formally we can reformulate the alienation argument as follows: workers have preferences for material wage income, income in the form of leisure, and in addition, income in the form of the type of productive activity in which they are engaged. Hence, they are willing to exchange a certain amount of wage goods for an amount of leisure or employment in a more desirable productive activity. Yet, the argument goes, the capitalistic system is rigid and run by those interested in producing material goods, the worker has no choice; he is denied the ability to choose between the forms of income, he is forced to take material goods and forego employment in desirable productive processes. Thus because wages and productive activities are joint operations it is impossible for a worker to obtain an optimal allocation of income. In a word, he is alienated. The solution presumably is some form of economic system in which a more optimal form of the division of labor can emerge.

This formulation meets Branden's objections: the question is not whether income is desirable (his first point) or whether a functioning competitive labor

³⁵ Jacob Viner, "Guide to John Rae's *Life of Adam Smith*," in John Rae, *Life of Adam Smith* (New York: Augustus Kelley, 1965), pp. 35-36. Viner is borne out in his thesis that Marx was not started independently of the British discussion—there is no reference to Rousseau in the index to the text of the *Economic and Philosophical Manuscripts*, although there is a citation to Say on alienation, p. 161.

³⁶ Nathaniel Branden, "Alienation," in Ayn Rand, *Capitalism: The Unknown Ideal* (New York: New American Library, 1966), pp. 269-71.

³⁷ Bell, *op cit.*, pp. 367-68.

MARXISM AND ALIENATION

market produces an optimum in terms of material income (his second) but whether the market correctly allocates intrapersonal distribution of income, broadly defined.

Once the problem is so stated the solution is trivial. Take the case: How does the market allocate income between material income and leisure? If there are workers who would like to exchange wage goods for more leisure, then there exists a wage such that it will be to the advantage of the employer to adjust the terms of employment to the workers' desires. This is not to say the employer is necessarily indifferent between employees working any hours at a given wage rate; but that it is possible to adjust production to different hours desired, if workers are willing to pay for more leisure by accepting lower wages. This argument is valid under the condition that production functions are uniform throughout the economy. On a more reasonable assumption of different production processes, workers can allocate themselves among employers with different desires for hours to be worked and hence receive a more constant wage rate. (Significantly Marx could not see how the market would operate in this case—in his system, hours of employment are determined by political power).³⁸

The problem of the exchange of wage goods for employment in different production processes is completely analog-

ous: the employer would be willing to make the trade if it meant that he could produce with less cost. This would be the case if his laborers accept a real wage sufficiently low to compensate for the employer's loss in adopting a different process of production. Again the argument is correct even in the case where all industry production functions are the same, and of course the effect becomes stronger when we recognize the existence of a myriad of production processes.

The implication of this argument is that alienation in a functioning market economy is simply an aspect of scarcity. Income in any form is rarely a free good and we should expect workers to be dissatisfied about their productive activity, in the sense that they would be rather doing something else, *if* their material income were not changed, just as we should expect that they do not have enough material goods to satisfy all of their needs. Industrial alienation is thus no viable criticism of the market any more than scarcity would be.

If the concept of alienation or worker dissatisfaction is to have any use, another major problem must be cleared up: how is on the job income shared among the family? Income and leisure can be shared, but it is not at all obvious that income from employment in a more desirable production process can be similarly distributed. A serious study of worker "dissatisfaction" would have to investigate this relationship.

933

³⁸ Marx, *Capital*, p. 299.

The Economic and Social Impact of Free Tuition

ARMEN A. ALCHIAN

934

RARELY DO educational issues provoke as much passion as the proposal to raise tuition fees in California colleges. Unfortunately, the passion has not been matched by reason—it is hard to find a clear statement of the consequences of or reasons for a zero tuition or a high tuition fee. It is hard to determine from the public comments whether the antagonists differ about what the consequences of alternative tuition arrangements would be or have different preferences with respect to well perceived consequences. Some defenders of zero tuition have asserted that zero tuition is necessary for aid to poorer students, for the maintenance of our great system of higher education, for the preservation of free and prosperous society, for achievement of great social benefits, for educational opportunity for all, is a hallowed century-old tradition, and that tuition is a tax on education. Some proponents of tuition fees have argued, for example, that the university and colleges are harboring delinquents who

would not be there with full tuition, the poor are aiding the rich, students should pay tuition in order to appreciate their education, taxes are excessive, and low tuition requires exploitation of an underpaid faculty, to cite a few. Most of these arguments are so patently fallacious or nonsensical or irrelevant that they do disservice to the more intelligent arguments. But there are some propositions that merit closer examination. To evaluate them it is first necessary to identify at some length the issues that are involved in analyzing and thereby choosing among the alternatives—and in the process make clear my own preferences. If I overlook significant objectives or consequences, perhaps others will be stimulated to fill the gaps.

The issues represent a classic topic for applied economics—the effects of different means of allocating scarce resources among competing claimants. A rational analysis of the consequences of tuition systems requires separation of two questions: (1) Who should bear the costs of education? (2) If someone other than the student should pay for his education, in what form should the aid be given?

Unless the distinction between these two issues is grasped, confusion is inevitable. The case for zero tuition is *not* established by demonstrating that aid to

Armen A. Alchian is Professor of Economics at the University of California, Los Angeles. He is co-author of the textbook *University Economics* and author of a number of important articles on costs and property rights. Acknowledgement is made to the Lilly Endowment, Inc. for a research grant to U.C.L.A. during which the present article was written. The opinions expressed here in no way reflect any conditions of that research grant.

Page Forty-two

ECONOMIC AND SOCIAL IMPACT OF FREE TUITION

students is desirable. Full tuition may still be desirable, with the desired aid taking the form of explicit grants-in-aid or scholarships from which the student pays the tuition fee of his chosen school.

The issue of the most desirable form of aid should be separated from still another closely related question: What is the desired method of financing and controlling *colleges* — as distinct from financing *students*? For example, aid to students in the form of zero tuition means also that the state finances the colleges' activities directly by legislative appropriations with the students and their parents having less influence on financing and controlling the activities of colleges. Where student aid is in the form of grants-in-aid or scholarships, students and parents paying full tuition to their chosen colleges have a greater role in determining which colleges shall be financed and rewarded for superior performances. Recognition of these differences in effect explains why some people have asserted the administrators and members of state universities and colleges, which are currently financed by direct legislative appropriation, have sought from self-interest, rather than educational interest, to maintain the impression that zero tuition is the only feasible or sensible means of aid to students — in order to repress student influence and control over the colleges while retaining the influence of politicians.

ADVOCATES OF subsidization of college students (regardless of the method) assume that if each student bore the full cost there would be too little college education as well as a decrease of educational opportunity. What makes it desirable to have more education than if students pay full costs? Several arguments are advanced. Let us discuss these in ascending order of sophistication.

(1) "Although the costs of education are less than the gains to the students themselves, some are unable to finance their education now. A subsidy would provide educational opportunity to the poor." (2) "Cultural education, though not profitable in market earnings, and hence not capable of being paid for out

of enhanced earnings, is nevertheless desirable." (3) "Even if every student acquires as much education as is worthwhile to him, he would take too little, because the individual ignores the beneficial social gains indirectly conferred on other members of society — giving what some people call 'external social effects.' Therefore, society at large should induce students to take more education than indicated by their private interests."

The argument that the poor can not afford to pay for a profitable college education is deceptive. What is meant by a "poor" person. Is he a college calibre student? All college calibre students are rich in both a monetary and non-monetary sense. Their inherited superior mental talent — human capital — is great wealth. For example, the college calibre student is worth on the average about \$200,000, and on the average, approximately \$20,000-\$50,000 of that has been estimated as the enhanced value derived from college training, depending upon his major field and profession.

Failure to perceive this inherent wealth of college calibre students reflects ignorance of two economic facts. One is the enormous human wealth in our society. Every good educator recognizes that inanimate capital goods are not the only forms of wealth. The second fact is the difference between current earnings and wealth. For example, a man with a million dollars worth of growing trees, or untapped oil is a rich man — though he is not *now* marketing any of his wealth or services. So it is with the college calibre student. Though his *current* market earnings are small, his wealth — the present wealth value of his future earnings — is larger than for the average person. This is true no matter what the current earnings or wealth of his parents. It is *wealth*, not current earnings nor parent's wealth, that is the measure of a student's richness. College calibre students with low current earnings are not poor. Subsidized higher education, whether by zero tuition, scholarships, or zero interest loans, grants the college student a second windfall — a subsidy to exploit his initial windfall inheritance of talent.

935

Page Forty-three

This is equivalent to subsidizing drilling costs for owners of oil-bearing lands in Texas.

There remains an even more seriously deceptive ambiguity—that between the subsidization of college education and provision of educational *opportunity*. Educational *opportunity* is provided if any person who can benefit from attending college is enabled to do so despite smallness of *current* earnings. Nothing in the provision of full educational *opportunity* implies that students who are financed during college should not later repay out of their enhanced earnings those who financed that education. Not to ask for repayment is to grant students a gift of wealth at the expense of those who do not attend college or who attend tuition colleges and pay for themselves. This is true because, for one reason, our tax bills do not distinguish between those directly benefitted by having obtained a zero tuition educational subsidy and those not so benefitted. Alumni with higher incomes pay more taxes, but they do not pay more than people with equal incomes who financed their own education or never went to college.

MANY DISCUSSIONS about educational opportunity refer to proportions of students from poorer and richer families at tuition free colleges. However strong the emotional appeal, the proportion of rich and poor family students is relevant only to the separate issue of wealth redistribution, per se, consequent to state operated zero tuition education. It has nothing to do with the extent of educational opportunity. Though data for California colleges and taxes suggest that lower income groups provide a smaller proportion of students than of taxes to support education, such comparisons are irrelevant, so far as provision of educational *opportunity* is concerned. These data tell how much wealth redistribution there is among the less educated, the poor, the educated, and the rich. That wealth redistribution is good or bad depending upon whether one believes the educational system should be used as a device to redistribute wealth

as well as to enhance wealth, knowledge, and educational opportunity. No matter how zero tuition in tax supported schools may redistribute wealth, the provision of full educational opportunity does *not* require redistributions of wealth. Yet, it seems to me, many people confuse these two entirely separate issues or think the latter is necessary for the former. To think that college calibre students should be given zero tuition is to think that smart people should be given wealth at the expense of the less smart.

When some zero tuition university alumni say that without zero tuition they could not have attended college, they should have a modest concern for the implications of that statement. One poor, "uneducated" resident of Watts, upon hearing Ralph Bunche say that he could not have had a college education unless tuition were free, opined, "Perhaps it's time he repay out of his higher income for that privilege granted him by taxes on us Negroes who never went to college." That reply spots the difference between educational opportunity and a redistribution of wealth.

Full educational *opportunity* would be provided if college calibre students could borrow against their future enhanced earnings. Students could repay out of their enhanced future earnings. Although, currently, loans are available from private lenders and also from publicly supported loans, a subsidy could provide a state guarantee of repayment of educational loans exactly as housing loans are guaranteed for veterans. Students could select among optional repayment methods. Some could contract to repay in full with interest; others could opt for a sort of insurance system, whereby the amount repaid was related to their income, with upper and lower limits to amounts repaid being specified. A host of possibilities are available. In fact today with income taxes, the college alumni are repaying part of the educational costs via taxes (but so are others who did not attend college).

Some people are impressed by the size of the debt that a college graduate would have to repay, but they should be impressed with the fact that the debt is

ECONOMIC AND SOCIAL IMPACT OF FREE TUITION

less than the enhanced earnings he has thereby obtained and is an indication of the wealth bonanza given the student who is subsidized by society.

There remains one more facet of the educational opportunity argument. Even if a college education may be a very profitable investment for some person, he may, because of inexperience or lack of confidence, not appreciate his situation or be willing to borrow at available rates of interest. This presumably is an argument for subsidizing those students who lack confidence or understanding of their possibilities, and it may be a meaningful argument on its own ground, but it is not an argument for subsidizing "poor" students.

Pleas are made for subsidizing *cultural* education which, though it may add nothing to the student's future market earnings, will enhance his general welfare. But a person's welfare is increased if he gets more food, housing, recreation, beer drinking, and fancier cars. It would seem therefore that the relevant argument for helping students is one of helping them regardless of whether they wish their welfare increased via cultural education or better food. A grant of money to be spent as the recipient deems appropriate is an efficient form of aid—as judged by the recipient. Subsidized cultural education rather than money gifts could be justified if the giver knows better than the recipient what is good for the recipient. I cannot make that leap of faith for the collegiate student, although other people do it easily and confidently.

A case can be made for subsidizing the poor *and* the rich to take more education—more than a person would take when motivated by his own interests alone. It is often said there are privately unheeded, net social benefits, so each person will under-invest in education from the social point of view, regardless of whether he is rich or poor; but we must separate the illusory from the real external available gains.

EDUCATION MAKES A person more productive, as a doctor, lawyer, merchant, or engineer. Other people benefit

from his greater productivity, because more engineers enable lower costs of engineering services for the rest of society. Engineers, looking only to their private gain would, it is said, undervalue the total benefit of having more engineers; too few people would seek sufficient engineering education. If this sounds persuasive, economics can teach you something. The increased supply of engineers reduces the prices of engineering services—even if by only a trivial amount—and thereby reduces the income of *other* engineers. Their income loss is the gain to the rest of society. This is a *transfer* of income from existing engineers to non-engineers; it is *not* a net social gain. The benefitted parties gain at the expense of existing members of the engineering profession, who lose some of their scarcity value as more educated people are created. This is a transfer from the more educated to the less educated. A striking awareness of this effect is evident in the advocacy by labor groups of immigration restriction. Restricting the inflow of laborers of particular skills prevents reductions in wages of incumbent workers with similar skills and prevents a transfer of wealth from them to the rest of American society. An immigrant or a more educated person would have provided an increased product and he would have obtained that value by the sale of his services, but the lower wages to that *type* of services would have transferred some of the incomes of similar workers to the rest of society. This external *transfer* effect is not a net contribution to social output. It is not a reason for subsidizing education.

For external effects to serve as a valid basis for more education two conditions must be satisfied: (1) There must be a net social *gain* (not transfer) unheeded by the student. The ability to read reduces dangers and inconvenience to other people; ability to be sanitary enhances health of other people, or economic education may—but probably will not—prevent passage of socially detrimental, special interest legislation. These are examples of education with external social gains, which we shall assume are

not heeded by the student in his private actions because they do not affect the marketable value of his services. Professional education of doctors, engineers, lawyers, economists, mathematicians, etc., has not been shown to fit in that category. Perhaps education at the undergraduate collegiate level in the elements of law, psychology, political science, mathematics, economics may make for better *non-market* decisions or actions.

I confess to a strong suspicion that such education is most significant at the grade school level, diminishes at higher levels, and disappears for professional or cultural, artistic, personal satisfaction courses, and is possibly *reversed* at graduate levels (by overtraining and insistence on excessively high standards of training for granting of licenses to practice in some professions—though this is a point the validity of which is not crucial to the main issue here).

(2) The second condition is that there must be *further* external gains unheeded by students at the college level. The fact of having *achieved* net external gains is not sufficient to warrant subsidization. The crucial condition is the failure to achieve still further available *incremental* net social gain from *further* education. Before concluding that they exist because of a tendency for people to ignore them, we should note that people attend college for reasons other than financial marketable gain. College attendance for personal reasons includes cultural, artistic education, and attendance to find mates. All these tend to extend education beyond maximizing one's market wealth and possibly even beyond that yielding unheeded social gains. But the facts are not conclusive in *either* direction.

Incidentally, an especially common but erroneous contention, presumably relying on the external effect, is that the growth, prosperity, and unusual position of California depend upon the free tuition, higher education system. What does this mean? If this means that free tuition has contributed to higher wealth for the educated then this is no argument for either free tuition or more edu-

cation. If it means the prosperity and growth of aircraft, electronics, motion picture, or agricultural industries in California are dependent upon free tuition, the contention remains unsupported by any analytic or factual evidence, and in fact can be falsified by comparisons with other states. Even if it could be demonstrated that *subsidized* higher education was responsible, the issue of *free* tuition would still not be touched. If this means that free tuition did attract some people to seek their education in California, they proceeded to reap the gain in their own higher income. If they provided a real net social benefit, it should have exceeded the extent of their subsidization to be justifiable. The same proposition holds for residents of California. If this argument is accepted, it is difficult to justify charging newcomers a full tuition while permitting existing residents a "free tuition." Yet, we have seen no proponent of zero tuition advocate zero tuition for all newcomers from all other states. If this means that the higher incomes for more people increase tax receipts, then the relevance of that completely escapes me. If this means California has a larger population, then this means higher land prices. But in so far as benefits to "California" have any relevance, I believe they should be viewed as benefits to people in California rather than as benefits to owners of a geographically identified piece of land, unless by "California" one means "land owners or politicians," who indeed do prefer larger populations as a source of political power and higher land values.

To induce students to take more education than is privately worth their while—in order to obtain the otherwise unheeded external gains—does call for payments to students. If a student were paid for doing what he would have done anyway, or if his education were subsidized to increase *his* wealth, he would be receiving a gift. But a payment (whether as zero tuition or a money payment) to the student to *extend* his education, for the sake of achieving *real*, external benefits that he otherwise would have not produced, is a pay-

ECONOMIC AND SOCIAL IMPACT OF FREE TUITION

ment for services, much as if he were to build houses, for the benefit of the rest of society. Such payments may well be independent of the income or future income of the student as well as of his parents. Though there is nothing that says the rich would provide less real external effects from more education, my conjecture is that the rich would in any event take more education than the poor for cultural reasons and would therefore require a smaller inducement to take the "optimal" extra amount of education for external social benefits. This can form a basis for advocating more educational inducements to the poor than to the rich, but not necessarily by a zero tuition inducement to rich and poor alike.

It should be noted however that there is already subsidization of higher education by private philanthropy on a scale that staggers the imagination. The endowment funds of colleges and philanthropic foundations aiding education runs into the scores of billions. Even if only half that were used to subsidize education (and the rest for research), the amount can not be regarded as minor, on any standard.

NO MATTER WHAT your beliefs about the validity or relevance of the preceding consideration, let us accept them, for the sake of analysis of alternative *means* of providing aid, for full educational opportunity, cultural aid, or extra inducements to education. (Of course, those who think the preceding arguments are too weak to warrant taxpayers' giving aid to college students can ignore all that follows, for to them there is no case for any state action, nor of zero tuition). The rest will want to ask, "What is the best form of aid or inducement?"

We can enable or induce students to take more education with the following offer: "On the condition that you take certain kinds of education, we shall bear enough of the costs to induce you to do so." The costs he would have borne are the income foregone and the tuition costs. (Food and living costs can be ig-

nored for he would be incurring them no matter what he did). Which of the following is the preferred way of extending that aid to potential students?

(1) We pay directly the costs of extra education by operating the school to provide the extra education; this is the zero tuition system. (2) We pay him an equal amount on the condition he take the additional, specified type of education, but he decides which school to attend and he pays the tuition to the school. This is an educational voucher or G.I. type educational bill-of-rights (used after World War II for veterans).

The first requires *also* that the state directly finance and operate the school providing the education; the second permits the student to choose from competing schools and direct payment to the school he chooses. These two alternatives are sufficient to illustrate the major implications of zero versus high tuition modes of subsidy. The wealth effect for the student is superficially the same in either case, and the financial cost to the subscriber can be the same in each case, once it is decided how much education to subsidize for whom. The costs to the subscriber may be the same, but the results are not.

In the California state system of higher education, the tuition fee is zero for *all* state schools and for *all* kinds of training, regardless of whether it contributes to a net social gain or not, and regardless of how rich the student is.

Zero tuition implies that the appropriate aid or subsidy for every student of a state school is exactly equal to the tuition cost no matter what subject he takes. No basis for zero tuitions as being the proper amount has ever been presented; maybe the aid should be even larger, to compensate for foregone earnings.

Because low or zero-tuition schools are believed to have a larger proportion of less wealthy students than high tuition colleges, zero tuition schools are believed to do a better job of providing educational opportunity for less wealthy students. But this entails the earlier confusion between provision of *opportunity* and provision of a wealth *bonanza*; zero

tuition schools give bigger wealth gifts to the mentally able students than do the high tuition schools.

Of course, higher tuition will, *other things left unchanged*, reduce the number of financially insecure students attending tuition colleges. The case for raising tuition is not that aid should be denied but instead that "zero tuition" is a less desirable means of providing aid to students; it entails undesirable controls and political interference with education and lowers the quality of education. Yet there is another method of providing full educational opportunity *and* at the same time improving the quality and quantity of education and reducing political controls. That alternative is a system of full tuition supplemented by grants-in-aid to those who qualify as financially insecure and deserving students.

It is important to note that the financing of *colleges* to provide education is different from subsidizing *students*. The zero tuition is a subsidy to the *college* as well as to the student. Subsidies to *students* alone can be provided with a full tuition system; in fact they are now being so provided by many private schools that do charge full tuition.

The alternative to the zero tuition method of providing educational opportunity or giving aid is tuition, *with* loans or with grants of money. The critical difference, in my opinion, between no tuition and tuition, under these circumstances, is that the former lets the state politician and college administrator and faculty directly exert more control over education whereas the latter enables the student to exercise more power by his choice of college.

Subsidies to whatever extent desired could be provided by a system of grants-in-aid via scholarships. That would appear to be more expensive *administratively* (but only administratively) than zero tuition, precisely because an effort is made to eliminate the haphazard bonanzas in the zero tuition system. The presumption is that the cost of selecting the students to be subsidized is less than the savings from the avoidance of subsidies to all students.

Tuition with grants-in-aid to students is not visionary. It is proven, practical, economical and currently used. New York State already has a large system of Regents scholarships. California has a smaller scale system with about 2,000 scholarships. After World War II, the Federal government granted millions of veterans educational vouchers for tuition, books, and incidental expenses under an enormously successful act known as the G.I. Bill. All these granted aid regardless of the student's current financial status. In California the university and state colleges now receive about \$500 million annually directly from the legislature. That would finance 250,000 scholarships of \$2000 each. The university's budget would finance 125,000 students, more than the number now attending.

At present many arrangements exist whereby private colleges take into account the financial status of students in deciding how much tuition to charge each student. Even more efficient would be a system of loans with interest to be repaid after graduation out of the student's enhanced earnings. Under a loan system, the problem of filtering rich students from the financially distressed would be reduced to trivial dimensions, since the rich would have little, if anything, to gain by borrowing. This would provide full educational opportunity with little need for a means test.

Full tuition does not in any way restrict the achievability of full education opportunity. That can be achieved explicitly and openly by the scope of grants and subsidized loans. Just as social security and welfare payments are made in money with the recipient choosing his purchases from competing producers, so a full tuition system with grants-in-aid or loans would enable separation of the issue of the amount, if any, of the subsidy from that of the best means of providing and controlling education.

Under a system of full tuition fees, with whatever loans and scholarship voucher grants are deemed desirable, students could choose their education from the whole world. Any accredited college or educational institution

ECONOMIC AND SOCIAL IMPACT OF FREE TUITION

whether it be for barbers, television technicians, beauty operators, mechanics, butchers, doctors, lawyers, or historians could serve. Ours would then really be the best educational system in the world; no longer would Californians be confined to California state operated schools. Whatever one's beliefs about the desirable degree of subsidy for more education, and whatever his beliefs about who should get it, the full tuition voucher coupled with scholarships and loans would magically open a new, larger world of choice.

An alternative form of aid to students is a tax-credit allowance whereby parents, or students, could later receive a tax offset to their payments for tuition. This would put private college students on a more equal basis with low tuition public colleges. In my opinion, this would be equality at the wrong level of equality. Rather than give tax credits as a means of maintaining zero tuition, I would prefer placing a tax *liability* on students attending public colleges with low or zero tuition. Whereas the tax credit provides subsidies and aid to all students at the expense of non-students, the tax-liability assessment places the costs of providing the education more squarely on those who benefit from the education. A tax credit gives *equal* treatment to private and public college students—at the expense of non-students. A tax-liability gives equality to private and public college students and to college and non-college people, with each bearing only the costs of service provided for their benefit. If tax-liability assessments are out of the question politically, the tax credit would be the next best; but it would not achieve one of the major purposes of a full tuition system.

WITH FULL COST tuition, competition among California colleges, and even among academic departments would change. Instead of competition for funds being negotiated among university committees, deans, regents, state college boards, and legislators, competition would rely more on classroom behavior of instructors who would be more de-

pendent on student attendance *vis-a-vis* other departments and other colleges. This would enormously enhance the power of the student in the former zero tuition colleges. Giving students more attention and influence in the university would indeed occur, exactly as the customer exercises more power at the grocery—by his purchases and choice among competing products and stores, but not by leaping over the counter and insisting on power to run the store, as occurs with current protest. Currently at the grade school level many parents are turning to private schools precisely because the parents can choose more fully the kind of education given their children—via the power of the purse. The poorer people do not have that option—but they would with a tuition-grant system.

Since the producer usually knows more about what he is producing than does the consumer, the producer illogically tends to conclude that he is a better judge about the appropriate quality and quantity for the consumer. This tendency is especially rewarding if the producer can thereby obtain a sheltered competitive position in the production of the good. He would tend to produce a quality and quantity in a style related more to that which enhances his welfare and less to what students and parents prefer.

It is easy to see that with zero tuition the university faculty benefits from research and graduate activity that builds an impressive publication record and research status, with the currently less rewarding teaching of undergraduates being relegated to the less "distinguished," lower-ranking faculty or graduate students. The "publish or perish" rule would be less powerful under full tuition, because teaching would become a more important source of student directed funds. Survival of the better teachers who are weak in publication would be enhanced. It is interesting and amusing to note, incidentally, that students at the University of California are now attempting to protect some members of the faculty from being dropped because of inadequate research and pub-

lication. The protection comes by the students "donating" funds to hire the man to give classes; this is a voluntary, spontaneous full tuition system. If allowed to expand, students would determine who was on the staff and who got the bigger incomes, just as they now decide which restaurants shall survive and prosper.

This is a simple application of the old, powerful, fundamental principle of behavior. The lower the price at which goods are distributed, relative to the market value, the greater the degree of discrimination and arbitrary criteria that the "seller" will display. Its corollary is that the lower the seller's right to the monetary proceeds, the greater his gain from underpricing the goods. The gains to the university administration and faculty from low tuition are classic examples, first expounded in Adam Smith's *The Wealth of Nations*. The greater the portion of a college's funds coming from tuition fees, the greater the power of the students and the greater the role teaching will play in the survival and prosperity of the members of the faculty. The less will the faculty choose which students shall attend, how they shall behave, etc. The lower is the ratio of tuition payments, the greater the power of the faculty over the students because the students are less able to exert significant effects on the financing of schools or departments as a reward for "good" performance—as they can with restaurants. The faculty says "education is different" and students are poor judges of good education; students are swayed by popular, theatrical teachers and do not appreciate the more valuable scholarly teachers. One wonders how students happen to go to the better and possibly tougher schools in the first place. The faculty of any college prefers lower tuition—until the budget expenditures can not be met from non-tuition sources. And even then there is conflict of interest within the college between those who are threatened by the budget cut and those with tenure who are not. If the cut, or loss of income, would mean merely fewer undergraduates and fewer new teachers, clearly the least difficult

resolution from the current faculty's interest is the reduction in new students, rather than an increase in tuition.

WITH ZERO TUITION the state schools have expanded relative to higher tuition private colleges, and the state university with its higher salaried teachers and more expensive education is more attractive to students than the state colleges and junior colleges. The ex-president and the administrators of zero tuition institutions correctly insist that zero tuition is the great principle underlying the *growth* of the university; but it is not a source of better education for California students. We should not confuse the *amount* of money with the *way* the money is obtained. More and better education, as judged by students, could be obtained at the same, or less, cost with the full tuition control of colleges coupled to loans and whatever grants-in-aid are desirable.

With full cost tuition, the less expensive junior colleges would attract students and income from the university and colleges. Predictably, the few administrative voices heard in favor of higher tuition seem, from my observation, to come from junior college administrators—who believe they would outperform the university if put on a quality-cost basis of competition for students.

A counter argument to the preceding propositions is that junior college education is "inferior" to university education. Although the quality of the university as a research institution is high, not as much can be established for its quality as a teaching institution to educate college students. The move to junior colleges with full tuition would occur if the more expensive university education were not matched by the higher quality as judged by students and parents. The university would have to improve its teaching to hold students at its higher costs. If it could not, the results would constitute evidence that the high cost and high quality combination was not a superior combination of quality, cost, and quantity. A Rolls-Royce

ECONOMIC AND SOCIAL IMPACT OF FREE TUITION

gives higher quality transportation than a Ford, but it does not follow that more Rolls should be produced than Fords. *Education* must be judged by the quality, quantity, and costs, rather than in terms of only those who are educated at the highest, most expensive levels.

Yet, despite this patent fact of life, when faced with a budget cut the administrators of the state university plump four square for "quality at all costs"—for maintenance of quality education for a selected few regardless of how many must be turned away and given instead an "inferior" education. On what criterion is it established that it is better to maintain the level of quality of education for fewer students at the cost of sacrificing education for others? Would one argue that in the event of a social security reduction, we should reduce the *number* of recipients in order to maintain the quality of those lucky enough to keep getting social security payments? But analogies aside, the elite, authoritarian arguments by university administrators and faculty for a given level of quality, regardless of the sacrifices imposed on excluded students or on tax payers is sobering evidence of the seductiveness of self-interest pleading.

THE FACULTY AND administration of higher education in California has evolved in the zero tuition environment, with appropriately adapted behavioral traits. They have learned to use that political structure; they have learned how to appeal to the political processes and to legislators and governors for more financing. They have been almost exclusively reliant on the political process. They praise politicians for statesmanlike, responsible behavior when the university budget is increased; but if it is decreased, they cry of political interference. Having accepted almost exclusive dependence on financing directly from the political and legislative processes, they should not complain of "political interference" when that same political process examines more intently the budget and the operations of the university. Are they really surprised

that the venerable law "He who pays, controls" still is effective?

Legislators generally tend to favor direct state legislative financing of education coupled with no tuition, rather than full tuition with grants-in-aid. The closer the tuition approaches full cost, the less the power of the legislators over the educational institutions. It is not entirely accidental that Congress used a grant-in-aid system for veterans; there was no Federal college system.

We must constantly remember the difference between paternalism and independence. Independence from the competition of political processes and politicians' interests can be enhanced by full tuition, but it will bring greater dependence on competition among educators in satisfying students' whims and interest. Either the students pay and control, or the political processes and politicians do. Yet some of the faculty seem to think they can avoid both. For educators there is no free lunch nor "free" tuition.

The situation reminds one of the Russian plight. Dissatisfaction with the quality of goods produced by Russian firms is sparking attempts to restore market prices as reflections of consumers' interests. While the Russian economists and consumers advocate more control via the market, producers and politicians show far less interest in weakening their power by moving away from Socialism.

There remains a subtle, but effective means whereby full tuition would lead to *more* education than if directly provided by government at zero tuition. As matters stand now, an education at a tuition school may be worth \$2000, or say, \$500 *more* than the education at zero tuition state schools. For that superior education worth \$500 *more*, the student would have to pay the full tuition cost of \$2000. He gets no relief for not using state schools. If education were on a full tuition basis, this obstacle to more and higher quality education would be removed. We should not assume that spending more by government for *direct* provision of education necessarily yields more education. This phenomenon, I conjecture, is powerful at all levels of education.

A PREFERENCE FOR full tuition implies nothing whatsoever about the desirable extent of aid or subsidy to students. Unfortunately much of the debate has erroneously assumed that zero tuition is a necessary or a preferred method of aid while full tuition is a device to avoid aid to students. No matter how much aid, if any, should be given to students, the case for full tuition does not rest on a denial of aid. It rests on the premise that, whether or not aid is given to students, the financing of schools should be controlled more directly by students and their parents because the kind of education thereby made available is deemed to be better — by those who advocate full tuition.

Full tuition, plus grants-in-aid to whatever extent one believes is justified, directs educational activities more to the interest of students and less to that of the university staff. And after all, is it not the students whose interests are fundamental rather than the university's, as an institution? Is it the students' interests as reckoned by students and parents rather than the convenience to the educators that is a better guide? My choice of answers is obvious. I suspect that these are the crucial issues on which advocates of zero tuition will differ with me.

My opposition to zero tuition arises because I do not like the way it redistributes wealth, nor do I like the totality of the effects of the kinds of competition it induces relative to that which would prevail under full tuition, supplemented by grants and loans. The lat-

ter yields more variety of educational opportunities and just as much educational opportunity and presumptively, greater detectability and survival of superior education. It reduces the producers' control over the products that the customers can have. The influence of selecting their colleges and controlling payments is a trait with high survival in the world outside of academia and which should be cultivated. The decreased role of the state and political activity in administering education is also a consequence I find congenial. Higher tuition would improve the quality of education rather than reduce it. The quantity would be affected not by either a zero or high tuition, but by how much is spent for education. Zero tuition does not mean more is spent for education, nor that more poor people can attend. To believe it does is to think zero tuition is the only or best way to subsidize or aid students — and that contention begs the fundamental question of what is the best way.

All these consequences seem to work against my interests as a member of a zero tuition college. If I thought this one exposition of economic analysis and one man's preferences really were capable of converting our system of educational subsidies from the zero tuition to a full tuition system with scholarships, loans, and vouchers, I might be less willing to expose it, for the price may be high enough to make me join with those who, whatever may be their reason, prefer the Holy Zero, (excuse me, the *free*) tuition system.

Books

Friedrich Engels: His Contributions to Political Theory, by Fritz Nova. New York, Philosophical Library, 1967. 115p. \$4.50.

The German Revolutions; The Peasant War, and Revolution and Counter Revolution, by Friedrich Engels. Edited and with an Introduction by Leonard Krieger. Chicago, University of Chicago Press, 1967. 246p. \$2.45.

ENGELS HAS NEVER emerged from Marx's shadow. He was generally self-effacing and, as the man who systematized dialectical materialism, is generally shunned by those who study Marx as a philosopher of alienation and emphasize the humanist aspects of Marxism. Neither of the recent biographies is much good. Yelena Stepanova paints Engels as a revolutionary saint, and her solid research has been translated into muddled English; Grace Carlton shows him as a good-natured man somehow led astray by Marx, without whose maleficent influence Engels would have lived happily and dully ever after; the Carlton book is interrupted by tirades against Marx and Engels for their failure to appreciate the perfection of English institutions and empiricism, and it ends up even more dogmatic than the Stepanova work, which at least has some reading behind it.

Both biographies are essentially personal in emphasis, presenting Engels as hero or victim, and Gustav Mayer's impressive work, which assessed Engels and his ideas, is out of print both in the original and in the one-volume English abridgment. Therefore, Fritz Nova's book, which purports to discuss some of Engels' ideas, ought to be a good thing.

Unfortunately, it turns out to be not so much written as simply sorted into chapters, presenting quotations and paraphrases without any comment. The first chapter, "Social Theory: To Condemn or Condone?" is characteristic. The

gist of the assembled statements (which Nova does not sum up) is that Engels thought political theory was well enough so long as it did not insulate the theorist from all contact with the real world, and so long as the theory was not wrong.

The ten-page chapter on Reformism and Revolution provides no hint of what Engels meant by revolution; there is no differentiation between statements made in 1844 and those made thirty-odd years later, as if Engels' opinions necessarily formed an unchanging whole; and there is no mention, much less analysis, of those references to the possibility of a peaceful transfer of power that give Marxist revisionism some claim to canonical authority. Not only is there no analysis, but the selection of quotations is erratic.

Nova's conclusion is that he has "not found any justification for reducing Engels to not much more than an accessory of Marx," but he makes no effort to prove that Engels *was* significant in himself. Engels was surely no appendage of Marx, but neither did he work in a vacuum. Nor should he be written about in a vacuum. Anyone who sets out to discuss Engels' ideas, even if he restricts himself to one of those fields such as natural or military science on which Marx rarely trespassed, ought to make some attempt to define the relation of his topic to Marxism in general. To list Engels' statements on politics or any other subject, without putting them into any context, can prove nothing more than what Nova has proven: that Engels wrote some things himself. And this could be ascertained by glancing at the index to the Marx-Engels *Werke*. Why is Engels important? Nova invokes Karl Kautsky, who is "generally regarded the most important successor to Marx and Engels," who said that Engels was an influence on him.

Certainly more than this can be said about Engels. In 1844 when Marx was still largely immersed in the study of Hegel, Engels had decided that the advance of industrialism in England was the most important thing going on in the world and that the accompanying ideology of classical liberalism was cor-

945

Page Fifty-three

respondingly important; and he had begun the Marxist critique of liberalism as fundamentally a species of hypocrisy. After that he watched, advised, and criticized the world revolutionary movement for fifty years. In the course of this involvement, he wrote a great many books and articles, most of which are significant in one context or another, and which must be analyzed, discussed, and thought about.

Engels is not likely to be ignored altogether. International Publishers keeps some of his works available in paperback (including the "Outline of a Critique of Political Economy," in Marx's *Economic and Philosophical Manuscripts of 1844*), the University of Manchester Press has a recent translation of *The Condition of the English Working Class in 1844*, and now we have a new edition of *Revolution and Counter-Revolution*. The *Peasant War* was already available but fits in well here, and *Revolution and Counter-Revolution*, a series of articles that Engels wrote for the New York Tribune in 1851-52, shows him as an effective English stylist. He has plenty of opportunity to be scathing as he discusses the ineptitude and half-heartedness of the German middle-class revolutionaries of 1848-49. The book is a useful treatment of that particular revolution, and considered as a Marxist document it, like the *Peasant War*, illuminates some fundamental propositions of the Marxist attitude toward revolution: that bourgeois progressives are exceedingly unreliable allies, and that revolutions are matters of classes and epochs, not of conspiratorial or military expertise.

Leonard Krieger's introduction discusses sensibly the relationship between Marx and Engels (though "Engels' addiction to Germany in contrast to Marx's propensity for France" greatly overstates this point of difference) and analyzes the importance of Engels' two histories both in relation to their subjects and in relation to Marxism. They are made to illuminate major problems of Marxist thought, such as the relationship of history and philosophy and

the relationship of free-will and determinism, and they gain in intelligibility and interest by being put in context. The analysis is on a very high level, but it is perhaps even more important that — in contrast to Nova — Krieger recognizes the necessity to ask questions.

—MARTIN BERGER¹

James Mill: Selected Economic Writings, edited by Donald Winch. Chicago, University of Chicago Press, 1966. 452p. \$12.50.

IT SHOULD COME AS no surprise to libertarians accustomed to meeting their ideas presented by others in surrealistic form that an inordinate number of efforts in the field of economic intellectual history are grotesquely inadequate. Prof. G. J. Stigler has gone to great lengths to show the casualness of scholarship in even such simple tasks as quoting accurately and naming theorems in such a way that they bear some non-random relation to the names of the theorems' initial propounders.¹ Still no amount of secondary cynicism can quite cushion the shock of, say, reading Max Lerner's "Introduction" to the *Wealth of Nations*.

Perhaps naively, we can hope that more readily available works can help reduce some of the heinous crimes committed in the name of intellectual history — if their presence will not necessarily inspire more careful scholarship, at least reviewers will have to search less for the material to point out inadequacies. The great new editions of Ricardo, Bentham (economic writings), J. S. Mill (about one third has been published) and the forthcoming volumes of the bicentennial edition of Adam Smith may generate a more precise reading. Thus we should welcome the University of Chicago's present and promised publication of the Scottish Economic Society's *Scottish Economic Classics*. Concentrating on those whose theories are

¹ Martin Berger is currently doing graduate work in history at the University of Pittsburgh.

¹ George J. Stigler, *Intellectual and the Market Place* (New York: Free Press of Glencoe, 1963), pp. 57-62.

BOOK REVIEWS

comparatively unknown even inside academic economic circles: McCulloch, Steuart, Lauderdale, and Anderson, these new and forthcoming editions should make economic intellectual history less a game for antiquarians and entice more research in primary sources.

In the first volume of *Scottish Economic Classics*, Dr. Winch has compiled three of James Mill's most important economic pieces: *An Essay on the Impolicy of a Bounty on the Exportation of Grain* (which is so rare that J. A. Schumpeter did not know it),² *Commerce Defended*, and *Elements of Political Economy*, along with "Smith on Money and Exchange," "Whether Political Economy is Useful," selections from *History of British India*, and "Extracts from Oral Evidence on the affairs of the East India Company." In addition Winch provides a biographical sketch, commentary on Mill's early economics, and an informal bibliography, not to mention an index.

I will not commend the editor for all his obvious hard work: virtue and book sales, after all, are their own reward; but I would examine one rather interesting point Dr. Winch raises which enters into serious interpretative problems with implications outside economics.

Winch asserts that Mill draws from Ricardo's economics the thesis that rent, being a residual, is the optimal subject for taxation because there are no effects on resource allocation:

Mill went a good deal further than either Ricardo or McCulloch were willing to go. . . . Mill attempted to implement the radical conclusions which he drew from Ricardo's interpretation of the rent doctrine. Though this is seldom realised, Mill's influence on the Indian land revenue system represents perhaps the single most important application of Ricardian economics in practice.³

Ricardo himself did not support such a program:

It would be difficult to separate pure rent from profit on capital invested by the land-owner, and therefore a tax on contractual rents might inhibit the improving landlord. But, as always, Ricardo was willing to face the logical consequences of his doctrines, and does not seem to have been afraid of considering the possibility of complete land nationalisation.⁴

But Mill's conclusions are readily deducible from Ricardo's theories:

In upholding the principle of taxing rent Mill was merely taking to its logical political conclusion, Ricardo's argument that there was an inherent conflict between the interests of land-owners and rest of the community.⁵

This is a profoundly misleading reading of Ricardo. Winch correctly describes the allocation aspects of Ricardo's theory but ignores the political constraint of equal treatment under law which Ricardo always imposed on his policy proposals.

It is true that Ricardo believed that neutrality in taxation is an important goal:

The duty which I have here proposed, is the only legitimate countervailing duty, which neither offers inducements to capital to quit a trade, in which for us it is the most beneficially employed, nor holds out any temptations to employ an undue proportion of capital in a trade to which it would not otherwise have been destined. The course of trade would be left precisely on the same footing as if we were wholly an untaxed country, and every person was at liberty to employ his capital and skill in the way he should think most beneficial to himself. . . . we should offer no temptations to capitalists, to employ their funds and their skill in any other way than they would have employed them, if we had had the good fortune to be untaxed, and had been permitted to give the greatest development to our talents and industry.⁶

947

² Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), p. 476.

³ Donald Winch, "James Mill and David Ricardo," in the book reviewed, p. 197.

⁴ *Ibid.*, p. 198.

⁵ *Ibid.*

⁶ *Works and Correspondence of David Ricardo*, ed. Piero Sraffa (Cambridge: Cambridge University Press, 1962), Vol. IV, p. 244. All further references will be by volume and page.

Further there is no doubt taxes on rent would be neutral,⁷ but Ricardo refuses to recommend such taxation, on grounds of isonomy:

It must be admitted that the effects of these taxes would be such as Adam Smith has described [neutral]; but it would surely be very unjust, to tax exclusively the revenue of any particular class. . . .⁸

This concern with equal treatment is not an isolated instance in Ricardo. He opposes inflation, in spite of the fact that it might benefit the more productive classes, because it implies unequal treatment by government action;⁹ he opposes repudiation of the national debt in spite of distributional advantages on the same ground;¹⁰ he even supports tariffs to equalize the tax burden between landowners and the rest of society.¹¹

THUS RICARDO'S opposition to taxes on rent and Mill's support are indications of a rather deep split in political

philosophy, not as Winch implies, a difference on the feasibility of measuring rent. The harmony/disharmony of interest interpretation of Ricardo and classical economics has blighted the profession since at least Halevy's monumental *Growth of Philosophical Radicalism* but is useless as a rationalization for Ricardo's policy proposals.¹² As a student of Jacob Viner, Winch of course does not subscribe to the silly harmony theory; but it is a shame he still finds the disharmony part of Halevy's theory at all useful to explain Ricardo's policy. Ricardo did not favor class legislation against anyone, regardless of whether their interests were harmonious with the rest of society; and indeed as mentioned above is willing to put tariffs on corn to reduce the *inequality* of the tax burden on landlords. Nor does a harmony reading help understand any other part of Ricardo's theory of policy: what is at question is whether a competitive price system produces some sort of an optimum, which Ricardo usually argues that it does, and importantly how do we go about getting out of the messes the government got us into. Ricardo develops and widely applies a theory of compensation to solve the problem that even the best reforms will hurt someone. This cannot be explained by a harmony/disharmony approach.

But enough carping. This new edition of James Mill gives complete (or nearly so) versions of important economic works and selections of minor pieces, in addition to interesting commentary. It is most valuable, but, unfortunately if quotations must be critical, one must compare them to the original. This writer found seven minor errors in the first eighteen pages (including table of contents and introduction) of the *Elements*.

—DAVID LEVY

⁷ I, 204.

⁸ *Ibid.*

⁹ VI, 233.

¹⁰ I, 245-46.

¹¹ IV, 264.

¹² Elie Halevy's harmony/disharmony interpretation is that Ricardo's static theory is a harmony view of the world. The labor theory of value states that all are paid according to their labor, hence the competitive price system produces a constrained version of the best of all possible worlds. His dynamic theory implies an inherent conflict between landlords and the rest of society: population increases by Malthusian principles forcing up the price of corn, increasing money wages, decreasing profits, and increasing rent. The decrease in the rate of profit will slow down economic progress, thus the landlord benefits at the expense of society. Elie Halevy, *The Growth of Philosophical Radicalism*, trans. Mary Morris (Boston: Beacon, 1966), p. 319ff.

NEW BOOKS AND ARTICLES

THE FOLLOWING ARE A SELECTION OF ITEMS AND NOTES WHICH, IN THE OPINION OF THE EDITORS, MAY BE OF INTEREST TO OUR READERS.

John Kenneth Galbraith, whose recent book *The New Industrial State* (Boston: Houghton Mifflin, 1967) should escape public notice, has just written an important tract on the Viet Nam war; important because of Galbraith's prominent position among the anti-war faction of the Establishment. *How To Get Out of Vietnam* (New York: Signet Books, 1967. 47p. 35 cents.) sets down in cogent form the most important assumptions usually made by opponents of the Viet Nam involvement, and after thoroughly illustrating if not documenting those assumptions, draws the necessary conclusions: ". . . it is now a war that we cannot win, should not wish to win, are not winning, and which our people do not support. . . ." (p. 32) Galbraith's thoughts raise an important issue in the minds of certain observers of the pro- and anti-Viet Nam debates, the fact that both positions make unproven, and at worst undemonstrated, assumptions about the nature of "the enemy." Galbraith rather carefully demolishes, for example, the usual anti-Communist approach to foreign involvement (he concludes: "The enemy coalition—the empire—against which our operation was launched turned out not to exist. This cannot have happened very often in history. . . ." [p. 15]); but to do so he relies in turn upon his own assumptions as to the nature of the Communist governments, assumptions which those who disagree with him cannot accept because he dismisses any "world-wide coordination" aspect of Communism and styles it all as Titoist nationalism. It would seem that any useful discussion of American foreign policy must grapple with the empirical documentation of assumptions such as these; but such documentation would seem to be either unobtainable in a scientifically acceptable form, or, if available, much too dispersed and unorganized to be usefully marshaled. A third possibility is also plausible, given the political Left-Right polarization of foreign policy discussions: the factual evidence which may be in the possession of known anti-Communists is suspect by men such as Galbraith because a mutual trust in the others' integrity is lacking—those in possession of facts damaging to the position of their opponents are considered capable of fraud to defend their own position. Likewise, those who fear the less than pleasant prospect of a global American Empire policing the free world at enormous cost in lives, money, and domestic liberty are seen as dangerously blind and naive, and dismissed with vague references to Munich and America First. It becomes, on the one hand an act of faith that "international Communism" is a terrible menace to free men everywhere, and on the other that "Cold War paranoia" is regimenting free men at home and extinguishing rational foreign policy abroad.

The editors of *New Individualist Review* have been divided for some time as to what editorial position to adopt on this question, and have sidestepped the issue in favor of omitting articles devoted to foreign policy. In the future, we would like to consider for publication well written and thoroughly documented articles on these general questions. We invite our readers to assist us in this endeavor.

Dan Cordtz, "Social Security: Drifting Off Course," *Fortune*, December 1967, pp. 104-7ff. The Social Security System, which for three decades has been the holiest of sacred cows in the American political barn, has come under increasing investigation in the past three years, possibly as a result of the surprising reaction Sen. Goldwater's campaign encountered in 1964—surprising to the campaigners, although not to their opponents. It is a tribute to the extent that conventional wisdom can be subverted by scholarly investigation and exposure

949

Page Fifty-seven

NEW INDIVIDUALIST REVIEW

that the number of articles critical of Social Security has expanded, and that a few books have appeared reopening the question. Diligent effort by Right-wing scholars has forced even non-political studies to examine Social Security with critical questions in mind. It can be hoped that election campaigns in 1968 or 1972 may see the Social Security System dismantled entirely.

Prof. Harry Kalven, Jr., of the University of Chicago Law School, examines the applicability of the Constitutional guarantees of freedom of the press to the radio and TV broadcasting industries in the October 1967 issue of *The Journal of Law and Economics* ("Broadcasting, Public Policy and the First Amendment"). He argues that the United States wrongly has two traditions in freedom of expression, one relating to the press and the other to broadcasting. He then goes on to show that precedents exist in other fields for application of the First Amendment (for example, motion pictures and second class mailing rights) which could easily be extended to radio and TV in the event of a legal showdown before the Supreme Court. The entire Volume X (207 pp.) is available for \$2.50 (\$1.00 for students) from the *Journal*; see their ad in this issue. Additional articles of interest in that volume include Milton Friedman on "The Monetary Theory and Policy of Henry Simons," and articles by James Buchanan, Paul Samuelson, and Jora Minasian on the question of public goods, which was initiated in the *Journal of Law and Economics*, Volume VII (1964). Libertarian theorists ought to pay greater attention to the theory of public goods, inasmuch as these discussions of the marginal cases for private property bring into greater clarity and even question some of the fundamental arguments for laissez faire.

950

An old controversy on the Right has reappeared, which our readers may be interested in following more closely as it develops. In the January 1968 issue of *The New Guard*, official magazine of Young Americans for Freedom, is reprinted Frank S. Meyer's famous article "The Twisted Tree of Liberty," which was originally composed in reflection on the debate between *New Individualist Review* editor Ronald Hamowy and William F. Buckley, Jr. in the November 1961 issue of N.I.R. It is pure speculation to comment upon what might have encouraged *The New Guard* to pick up the article for reprinting from *National Review* (Jan. 16, 1962), but the recent review of Meyer's *Moulding of Communists* in Murray N. Rothbard's journal of libertarian thought, *Left and Right*, might have had something to do with it. Taking Meyer (and by implication, Burnham and the rest of the Right-wing ex-Communists) to task for singlemindedly directing American conservatism toward hard-nosed foreign policy objectives, Rothbard analyzes Meyer's description of the typical Communist trainee (and later cadre) and points out, interestingly enough, that exactly the same moral condemnations can be made against any secretive organization man—including most especially FBI and CIA agents, who exhibit most of the traits Meyer identifies with Communism. The reader may be interested in examining Rothbard's discussion of Meyer, inasmuch as Meyer is widely read on the Right, and Rothbard has a number of interesting things to say, but not the audience. The review appears in the Spring-Summer 1967 (Vol. 3, No. 2) issue of *Left and Right*, and would be available for 85 cents from them at Box 395, Cathedral Station, New York, N. Y. 10025.

An attack on Establishment "liberalism" from a radical point of view is presented in *The Great Society Reader: The Failure of American Liberalism*, by Marvin E. Gettleman and David Mermelstein (Vintage Books; \$2.45, paper), a reader containing speeches, essays, etc., by Lyndon B. Johnson, Sargent Shriver, and Arthur Schlesinger, as well as Paul Goodman, Tom Hayden, Hans Morgenthau, and other critics of the current spirit of the times as manifested in Wash-

Page Fifty-eight

**ARE Conservatives and Libertarians
Natural Allies — OR Polar Opposites?**

L & R **READ LEFT AND RIGHT — the
consistent Libertarian journal.**

LEFT AND RIGHT favors freedom and the free market for all; for H. L. Hunt and Ralph Ginzberg; for the businessman and the enslaved draftee.

LEFT AND RIGHT favors peace and opposes the Cold War and U.S. Imperialism.

LEFT AND RIGHT is scholarly but truly radical.

Published Autumn, Winter, and Spring

LEFT AND RIGHT, Box 395, Cathedral
Station, New York, N.Y. 10025

Subscription: \$2.50 per year

951

**INTRIGUED BY THE EXCITING POTENTIALS OF TOTAL
LAISSEZ FAIRE CAPITALISM?**

INNOVATOR explores unconventional pathways to free enterprise.

INNOVATOR describes unusual tactics for preserving individual rights.

INNOVATOR reports on individuals who have found new ways to live in liberty TODAY!

The INNOVATOR is a newsletter of applied philosophy reporting advanced developments, experiments, and applications of liberty. Other subjects include new concepts in legal philosophy, innovations in personal relations and education, and inventions and technical processes that may alter the course of future societal developments.

"PIRATE QUEEN OR CAPITALIST HEROINE?" - "LIBERATE EDUCATION NOW!" - "TAX REVOLT!(!)" - "ECONOMIC POTENTIAL OF PREFORM'S 'FREE ISLES'" - "SELL THE ROADS" - "FIRE FIGHTING FOR PROFIT IN ARIZONA" and many other articles appeared in recent issues of INNOVATOR.

For a one year subscription (12 issues) mailed anywhere in the world, send \$2.00 and your name and address to:

INNOVATOR, Box 34718, Los Angeles, Calif. 90034

Single Copies (including back issues): 25c

ington. Most interesting to N.I.R. readers would probably be the contribution of Murray N. Rothbard, libertarian economist and editor of *Left and Right*. In an essay entitled "The Great Society: A Libertarian Critique," Prof. Rothbard stresses the congruence of the Johnsonian program with the corporate state trend of American politics during most of the twentieth century. Of particular interest is his assertion that: "The cruelest myth fostered by the liberals is that the Great Society functions as a great boon and benefit to the poor; in reality, when we cut through the frothy appearances to the cold reality underneath, the poor are the major victims of the welfare state"; and Rothbard goes on to cite more than a dozen major elements of the welfare state—from minimum wages and urban renewal to inflation and the farm subsidy program—which penalize the relatively poor to the advantage of the relatively rich.

Harry G. Johnson, *Economic Policies Toward Less Developed Countries*. Washington, Brookings Institution, 1967. \$6.95. In the discussion of economic assistance and trade between the industrialized nations and the underdeveloped world, much attention has been given to governmental structuring and planning, which involves almost necessarily restrictions on free market activity. Johnson's survey brings out with great clarity and insight the essential features and interrelations among the leading proposals for improving international economic relations. The book is particularly noteworthy for its exposure of the economic fallacies in arguments for various forms of interference. Protectionist approaches by both rich and poor countries are contrasted unfavorably with an optimal system which would combine free trade, realistic exchange rates, and the provision of aid on the basis of net resource requirements.

952

A number of other Conservative publications are beginning to notice a controversy which N.I.R. joined in its November 1961 issue: Ayn Rand and her philosophy of Objectivism have been the object of a recent article by M. Stanton Evans in *National Review* (October 3, 1967), and the Objectivist leaders (i.e., official spokesmen of the Nathaniel Branden Institute) have come under sharp attack by a disenchanted "student of Objectivism," Jarret B. Wollstein, in the *New Guard* (October 1967). Evans addresses himself to what he sees as the twin failure of Miss Rand logically to construct an ethical system which can support the kinds of behavior she favors, and her neglect of the need for a spiritual, particularly Christian, underpinning for society. The points directed by Evans to the first issue seem well taken, although he pauses to puzzle that N.I.R. saw fit to criticize Rand in spite of the seeming agreement in practical matters; the puzzle is solved by reading Prof. Goldberg's article in the November 1961 issue more closely. His second point is weaker; consider the assertion: "The ancients could conceive of no authority higher than the *polis*; they believed the state had a total lien on man's energies and affections." Socrates' argument in the *Apology* seems to invalidate such a generalization.

On a more personal level, Wollstein gives a detailed account of the troubles he encountered when he attempted to propagate the virtues of Objectivism. His report contains a truly amazing chain of events, with the Objectivist establishment performing some rather non-voluntaristic acts—including at one point the threat of force. What makes this report particularly interesting is the direct manner in which it supports Whittaker Chambers' savage attack on the Randians in *National Review* (December 1957). Chambers accused Miss Rand of being a fascist. In spite of some rather ill-mannered letters from Objectivists, this charge has often seemed curious. How, after all, can one detect authoritarianism in any form in Ayn Rand's highly voluntaristic philosophy? Indeed, Evans takes Chambers to task for the self-evident contradiction in the charge.

One line of analysis which has not been followed by any of those interested in the subject is the relation, long stressed by many inside of the classical liberal

tradition, between toleration of opposing views and the fundamental rationalist recognition that it is possible to be in error. Prof. Karl Popper has warned that the great danger of irrationalist philosophy comes from its ability to dismiss any and all criticisms without considering the validity of the criticism. Hence, it is possible for some Marxists to reject logical arguments on the basis of the class interests of potential propounders. An indirect test for the tolerance of a philosophy may consist of an examination of the type of arguments which if accepted would prove the philosophy fundamentally in error. In the case of Objectivism, this examination ought to be facilitated because it goes to great lengths to stress the axiomatic and definitional bases of its arguments. In Miss Rand's recent *Introduction to Objectivist Epistemology* (New York: The Objectivist, Inc., 1967. 77 pp. \$1.95.) she develops her theories of axioms and definitions and defends them as being of the greatest importance: "Do you want to assess the rationality of a person, a theory or a philosophical system? Do not inquire about his or its stand on the validity of reason. Look for the stand on axiomatic concepts. It will tell the whole story." (p. 56). "The truth or falsehood of all of man's conclusions, inferences, thought and knowledge rests on the truth or falsehood of his definitions." (p. 47). Axioms in her system are self-evident, their denial will lead to contradictions; an axiomatic concept "is implicit in all facts and in all knowledge. It is fundamentally given and directly perceived or experienced, which requires no proof or explanation, but on which all proofs and explanations rest." (p. 52). Definitions represent the identification of the nature of the things defined. Although it is obvious that Miss Rand has not followed the mathematical discussions of axiomatic systems, she does profess a high regard for higher mathematics. The fundamental theorem of Gödel of course proves that for very general systems it is not possible to prove a set of axioms are both consistent and complete; but knowledge of an even older body of mathematical thought would be sufficient to demonstrate the misleading nature of her concept of axioms—it is well established that geometries denying the classical parallel axiom can be constructed as consistently as Euclidean geometry.

953

The well established fact that it is not always possible to resolve axiomatic questions by examining only the consistency of the deductions from those axioms destroys the possibility of discussion with Miss Rand over differences in axioms. The relevant tests differ from those which Miss Rand establishes as a check on the validity of her axioms—consistency will not suffice. Similarly, her discussion of what must happen when people disagree over definitions is singularly unhelpful; appeals to objective reality (her phrase) are useful only if one knows how to appeal. Perhaps an illustration of her procedure will show the great difficulties one would encounter if he wished to discuss fundamentals. Miss Rand defines man as a rational animal in the sense that man is capable of being rational, unlike other animals. If definitions are as important to her system as she alleges, we should certainly want to ascertain the correctness of this particular definition. Yet surely this definition is every bit as true as a definition of man as a religious and altruistic animal in that unlike other animals he is capable of being both. Now one must ask, how would Miss Rand propose to bring objective reality in to test the definitions? She does consider, and reject, divergent definitions of man, but without really indicating why. Unfortunately, the revelations of objective reality are not for the uninitiated.

Such is Miss Rand's fundamental irrationality: Many of the interesting problems she discusses are solved with appeals to definitions pulled out of hats; axioms which can't be tautological if used logically, but which nevertheless look like tautologies; and a very large dose of faith. Prof. Goldberg argued in his article for N.I.R. in 1961 that Objectivism is an approach which goes nowhere; perhaps it is time to consider Whittaker Chambers' charge that Objectivism leads to somewhere far worse.

Page Sixty-one

Brand New Third Edition of this

**RETAIL PRICE
\$15.00**

Completely Revised and Updated by
the Author himself. Not to be confused
with any earlier edition. Massive 924-
page volume; exhaustive 20-page index.

954

Human Action

A Treatise
on
Economics

“It rests with men whether they will make the proper use of the rich treasure with which this knowledge [of economics] provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race.”

—Ludwig von Mises

“An arsenal of fact and logic.”

—*Chicago Daily News*
“Human Action . . . should become the leading text of everyone who believes in freedom, in individualism, and in a free-market economy.” —Henry Hazlitt

“Dr. von Mises has made a tremendous contribution to economic thinking in a world that thinks only of economics.”

—Vermont Royster

“I think that *Human Action* is unquestionably the most powerful product of the human mind in our time, and I believe it will change human life for the better during the coming centuries as profoundly as Marxism has changed all our lives for the worse in this century.”

—Rose Wilder Lane
“... offers a combination of great scholarship and the rare ability to make an abstruse economic subject interesting.”

—Lawrence Fertig
“The finest economic treatise of this generation.” —Raymond Moley

“Perhaps the most important economic treatise of our time.” —*Wall Street Journal*

Classic of Economics, Yours...

FREE!

... with brief trial membership in the Conservative Book Club and your agreement to buy just four books during the next 18 months — each at deep discounts of 20% to 75%!

Brand New Third Edition of HUMAN ACTION by Ludwig von Mises, Dean of Free-Market Economists. The most compelling case for economic freedom ever made... and one of the most enthralling books you will ever read! It is the conservative answer to Marx's Das Kapital and Keynes's General Theory.

AND HUMAN ACTION is fascinating. The author, Ludwig von Mises, dean of free-market economists, is a cool logician, our greatest economic scholar, a passionate lover of freedom — and an equally passionate enemy of those who would take freedom away from us.

The book has nothing but scorn for the phony "compassion" of the Marxians and Keynesians — and Mises clearly shows how their theories actually spread suffering among the poor! One by one, he sweeps away the glib fallacies of Liberalism and socialism. For instance, how many of these fallacies can you effectively rebut?

- ★ Free-market economics was all right for the 19th century but it is useless in today's complex economy.
- ★ Capitalism was built on the broken bodies of exploited workers.
- ★ Businessmen have ravaged our natural resources in their lust for profit.
- ★ Unemployment is caused by lack of "effective demand".
- ★ Unions have won rich benefits for their members.
- ★ Advertising is a device for defrauding the consumer and represents a net economic loss.
- ★ Minimum-wage laws help the poor.

Mises answers these questions and hundreds more. He offers us a mountain of fresh insights, always in a crisp style, free from clumping pedantry. Among his major contributions: 1. A remarkable analysis of inflation. How it starts. The evils it brews. 2. Causes of the business cycle. 3. Effects of state intervention in the economy. 4. Irrefutable demonstration that free banking leads to hard money.

Human Action certainly is not a book you will read over a weekend. It is a classic of economic thought — meant to be the companion of a lifetime. And this munificent new Third Edition

(not to be confused with the unfortunate Second Edition widely criticized as a typographical disaster) is in every respect worthy of the greatness of its contents. It merits a place on the bookshelf you reserve for the choicest works in your collection.

Accept This Brand New \$15.00 Edition FREE — With Brief Trial Membership in the Conservative Book Club

This new Third Edition of Human Action is wholly revised and updated — the crowning achievement of a lifetime in the service of freedom. The retail price is \$15.00, but we'd like to send you a copy as a free gift with your agreement to try a brief membership in the Conservative Book Club. Your sole obligation is to accept just 4 books from about 35 to be offered in the next 18 months — all of them made available to you at deep discounts of 20% to 75%. After that, you may resign at any time.

As a member, you'll enjoy other benefits and privileges... the finest in conservative books to fit every taste... a free subscription to our monthly Club Bulletin, filled with political and publishing news of particular interest to conservatives. At intervals during your membership there are special services: exclusive Club Omnibus Volumes containing the cream of conservative publishing at immense savings over regular publishers' prices... exclusive reports such as the Conservative Survey offered free with membership in this announcement, to name just a few.

The Club Bulletin you receive during your trial membership describes the next Selection and Alternates — all offered at discount, of course. If you decide to accept the Selection, you need do nothing; it will arrive about a month later. If you reject the Selection, you do this in a few seconds by using the handy form always provided.

Try membership! Accept, as a gift, the new \$15.00 edition of Human Action — and taste the reading pleasures that CBC members enjoy. Mail Trial Membership form to Conservative Book Club, 81 Centre Avenue, New Rochelle, New York 10801.

955

**ALSO FREE TO NEW MEMBERS
New Conservative Opinion Survey**

Just completed, a survey of CBC members on some of the urgent questions confronting conservatives. What are conservatives thinking about working within the Republican Party? About forming a third party... the Birch Society... supporting Romney against LB... about Nixon, Goldwater, Buckley, Warren, Reagan?

These and many other questions are answered in a detailed 16-page survey report. It's a valuable guide to the thinking of other conservatives. It's yours free with your new membership. Write for it today!

Conservative Book Club

81 Centre Avenue, New Rochelle, New York 10801

Send my free copy of the new \$15.00 Third Edition of Ludwig von Mises' Human Action plus my free copy of the Conservative Opinion Survey... and enroll me as a Trial Member of the CONSERVATIVE BOOK CLUB. I understand that membership entitles me to buy Club Selections at discounts of 20% to 75% plus shipping. Each month you will send me, free, the Club Bulletin describing Selections and Alternates, any of which I may reject by using the handy form provided. If I accept a Selection I need do nothing; it will come automatically. My sole obligation is to buy 4 books over the next 18 months, after which I am free to resign at any time.

Name _____ N1-1

Address _____

City/Zone _____ State _____

LIBERALS OF THE WORLD: UNITE!

Our Hour of Need is upon us. The time is fraught with peril for the most promising development in the non-Western freedom movement—the Arabic Edition of *New Individualist Review*. Our latest foreign language edition is in grave danger, threatened with extinction by the International Postal Monopoly, the United Nations, and the fine hand of the COMINTERN itself.

To crush the rising tide of revolution which everywhere has followed upon the publication of our SYMPOSIUM ON CONSCRIPTION (last issue), the government of Egypt has launched a drive to deny *New Individualist Review's* Arabic edition the free use of international postal services. In the United Nations debate devoted to the issue, the Egyptian Ambassador demanded:

956

. . . that the United Nations declare the Arabic edition of *New Individualist Review* to be the greatest threat to peace in the Middle East—stirring discontent among the harmonious Egyptian people and spreading sedition by its challenge of ancient truths. All nations must rise to fight the anarchists, who preach such treason as "Taxes In Money, Not Forced Labor" and "Emigration Before Conscription" and the like. No government is safe; no military force is secure. In Sinai alone, thousands of soldiers left the battlefield with cries of "Freedom Now; Down With Military Servitude!" on the very eve of Israeli attacks. . . .

The United States Ambassador demonstrated the cunning solidarity of all government agents when threatened by the stirrings of liberation. His reply:

We wish to assure the State of Egypt that the Arabic edition of this odious publication—judging by the contents of the English edition—will trouble the peace no longer. The United States government has a great tradition of respect for freedom of speech; as President Johnson once said, "Freedom of Speech is a First Class Freedom." Of course, this *New Individualist Review* is mailed third class . .

**FRIENDS OF
FREEDOM,**

You must not fail us!

Subscribe Today!

Vote with your dollars.

NEW INDIVIDUALIST REVIEW

17

Ida Noyes Hall, University of Chicago
Chicago, Illinois 60637

Please enter my subscription for one year ☐ \$3.00;
two years ☐ \$5.75.

NAME

ADDRESS

CITY STATE ZIPCODE

☐ I enclose \$1.00 additional; please send me one copy
of the Symposium on Conscription.

The Journal of **LAW & ECONOMICS**

VOLUME X OCTOBER 1967 PRICE \$2.50

Milton Friedman.....	The Monetary Theory and Policy of Henry Simons
Harry Kalven, Jr.	Broadcasting, Public Policy and the First Amendment
Reuben A. Kessel.....	Economic Effects of Federal Regulation of Milk Markets
John P. Crecine, Otto A. Davis, and John E. Jackson.....	Urban Property Markets: Some Empirical Results and Their Implications for Municipal Zoning
E. G. West.....	The Political Economy of American Public School Legislation
A. Dale Tussing.....	The Case for Bank Failure
Michael Rieher.....	Bids, Bid Patterns and Collusion in the Auction Market for Treasury Bills
Rosemary D. Hale.....	Cookware: A Study in Vertical Integration
Edward Greenberg.....	Wire Television and the FCC's Second Report and Order on CATV Systems
James M. Buchanan.....	Public Goods in Theory and Practice: A Note on the Minasian-Samuelson Discussion
Paul A. Samuelson.....	Pitfalls in the Analysis of Public Goods
Jora A. Minasian.....	Public Goods in Theory and Practice Revisited

THE UNIVERSITY OF CHICAGO LAW SCHOOL

The Journal of Law and Economics has been published annually by the University of Chicago Law School since 1958. The growing interest in the law-economics area has suggested that it would be desirable to undertake more frequent publication. It has therefore been decided to increase the issues published each year to two, one to appear in April and the second to appear in October. The new arrangement will start with Volume XI, with the first number of the Volume appearing in April 1968, and the second in October 1968.

All issues of **The Journal of Law and Economics** may be obtained for the price of \$2.50 per issue. However, the **Journal** is also available at a special student rate of \$1.00 per issue. Those students wishing to obtain all volumes of **The Journal of Law and Economics** issued to date (through Volume X) should remit \$10.00.

The subscription rate for the **Journal** will be \$5.00 for two issues each year (\$2.00 to students), with the following discounted rates for extended subscriptions: two years, \$9.50 (students, \$4.00); three years, \$13.50 (or \$6.00); four years, \$17.00 (or \$8.00); and five years, \$20.00 (or \$10.00 to students). Please send orders and remittances (and particulars of student status if you are applying for the student rate) to:



Publications Assistant
The Journal of Law and Economics
University of Chicago Law School
1111 East 60th Street
Chicago, Illinois 60637



**Economics from
the University
of Chicago Press**

**Studies in
Philosophy, Politics,
and Economics**

Friedrich A. Hayek

These eloquent, vigorous studies voice Hayek's endeavor to make "the philosophical foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds." His concerns range from the nature of economic theory to the philosophy of David Hume; from the ethical basis of free enterprise to the appeal that socialism has for intellectuals; from the way *The Road to Serfdom* was received to a critique of *The Affluent Society*.

1967 LC:18436 356 pages, \$6.50

**The Economic Life
of the Ancient World**

Jean-Philippe Lévy

*Translated by
John G. Biram*

Here is a concise, comprehensive, and readable overview of the economic life of the ancient Mediterranean world, tracing the evolution of man's economic activity from the Greco-Oriental cultures before Alexander to the Fall of Rome. Professor Lévy describes the pre-monetary states, the advent of money, the growth of commerce, and the social consequences of commercial activity for each of the periods covered. No comparable survey has ever appeared before in English. The material presented is arranged for easy reference.

1967 LC:67-20575 147 pages, \$5.00

**Public and
Private Enterprise**

John Jewkes

Here is a fresh approach to the vital subject of the proper roles for private enterprise and government in national economic life. Jewkes argues that economists have failed to perform adequately their function of pointing out the real elements of economic decision that enter into public policy-making. He warns of the dangers of public monopoly and presents the case for the free market. "... a witty and penetrating attack on the contemporary mania for socialism, planning, redistribution of income, and other forms of governmental economic controls." —Henry Hazlitt, *National Review*.

1967 LC:66-12709 94 pages, \$2.25

**The Economics
of Trade Unions**

Albert Rees

Here is a critical look at the impact of unions on wages, prices, employment, productivity, and the distribution of income. An "... analysis of trade unions in forthright, lucid, and cogent manner without the usual over-larding of descriptive institutional material or the qualifications besetting most texts." —Solomon Barkin, *Industrial and Labor Relations Review*. "... a small gem ... lucid and economical treatment of a large and complex subject." —*American Economic Review*. Formerly in the "Cambridge Economic Handbook" series, this book now appears as a *Phoenix* paperback.

1962 LC:62-9741 208 pages Cloth \$3.50, paper \$1.50

University of Chicago Press, Chicago 60637